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ABSTRACT

In 1967, the State Education Department published "Consumer Education--Materials for an Elective Course." This material has since been introduced into more than 500 of the New York State high schools. As a result of the interest in Consumer Education in the State and Nation, the Department has begun the preparation of a series of modules--Expanded Programs of Consumer Education. Nothing touches the lives of the disadvantaged more than the constant struggle to stretch limited financial resources to meet the increasing costs of living. This module is designed in the hope that it will help the poor to make better use of their income, as well as with the expectation that those of higher income will be more understanding of the problems of their fellow citizens. The first seven modules in the series are: consumer issues and action; education and the consumer; the consumer and recreation; consumer problems of the poor; the consumer and his health dollar; beauty products and the consumer; and, the consumer and transportation. It is expected that another module will be produced in the field of The Consumer and His Tax Dollar. Each of the nine modules may be used as a discrete unit or with other units in the series. The nine modules may be presented as a semester or part of a semester course, or presented in conjunction with the original syllabus. (Author/JM)

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CREDIT AND THE CONSUMER

One of a series for Expanded Programs in Consumer Education

UD 013550

The University of the State of New York/The State Education Department
Bureau of Secondary Curriculum Development/Albany/1973

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FOREWORD

In 1967, the State Education Department published "Consumer Education — Materials for an Elective Course." This material has since been introduced into more than 500 of the New York State high schools. As a result of the interest in Consumer Education in the State and Nation, the Department has begun the preparation of a series of modules — Expanded Programs of Consumer Education. This module, Credit and the Consumer, is the eighth to be produced. Those already distributed are

Consumer Issues and Action
Education and the Consumer
The Consumer and Recreation
Consumer Problems of the Poor
The Consumer and His Health Dollar
Beauty Products and the Consumer
The Consumer and Transportation

It is expected that another module will be produced in the field of

The Consumer and His Tax Dollar

Nothing touches the lives of the disadvantaged more than the constant struggle to stretch limited financial resources to meet the increasing costs of living. This module is designed in the hope that it will help the poor to make better use of their income, as well as with the expectation that those of higher income will be more understanding of the problems of their fellow citizens.

Unlike the original syllabus, where 12 units covering various phases of Consumer Education were bound together, the modules in Expanded Programs of Consumer Education are being prepared as separate publications to provide greater flexibility. Each of the nine modules in the series may be used as a discrete unit or with other units in the series. The nine modules may be presented as a semester or part of a semester course, or presented in conjunction with the original syllabus which covers such areas as the purchase of food; shelter; appliances; automobiles; and a consideration of credit; money management; fraud, quackery, and deception; banking and savings; life and health insurance; security programs; and consumer law.

It is hoped that the presentation of the modules as separate publications will tend toward flexibility in their use as mini-courses in such fields as social studies, business education, home economics, industrial arts, agriculture, and other areas of the curriculum.

The suggestions to the teacher found in "Consumer Education — Materials for an Elective Course," pages 1-4, apply equally to each of these modules. The reaction and suggestions of those using these materials in the field will be helpful to the Department in planning further materials for Consumer Education and in making necessary revisions of the material.

The original material for this module was developed and written by Robert Feldman, business education teacher at Central Commercial High School, New York City, who designed and wrote the module. Hillis K. Idleman, associate in secondary curriculum development, was in charge of the project, edited the material, and arranged for its publication.

The Department acknowledges with appreciation the suggestions of those who contributed advice or material for inclusion in the manuscript and in particular the help of Mr. Berris R. Gordon, director of education, the New York State Credit Union League, Inc., and H. Noble Simms, education coordinator, Office for Local Government, State of New York, and the Bureau of Consumer Frauds and Protection, New York State Department of Law, under the jurisdiction of Attorney General Louis J. Lefkowitz.

Gordon E. Van Hooft
Director, Division of
School Supervision

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INTRODUCTION

A recently married,Syracuse, New York,housewife, when questioned for a consumer credit survey said, "Credit cards and charge accounts aren't really the same as money because you can pay later. It's just so much easier." This statement just about sums up the feelings of many Americans when they talk about credit buying.

The tremendous growth in the use of credit since the end of World War II, and particularly during the past decade, makes it difficult for the average American, young or old, rich or poor, to conceive of a society where the use of credit did not exist as a means of satisfying consumer needs and wants.

The present day consumer debt, exclusive of real estate mortgages, is close to $150 billion. It is estimated that 2 of every 3 families have an outstanding debt,and 4 of 5 newly married couples use credit to obtain the goods and services needed to start married life. Also, the number of teenagers with outstanding debt is increasing each year and many retailers are appealing for the teenage credit business. In fact, recent surveys show that the young, those 18 to 25 years of age, are responsible for the bulk of the increase in consumer credit debt.

Although most Americans have grown up in a credit-oriented economy, too many consumers do not fully understand how credit operates, the high cost of using credit, and how to use it wisely. This is borne out by the increasing number of individuals and families who are experiencing financial problems brought about by the unwise use of credit and its high interest costs.

One consumer group that particularly suffers when using credit is the poor. The poor have problems because they must resort to credit to buy necessities. They are forced to spend dollars they have not earned nor may be able to earn. For low-income consumers a thorough understanding of credit, especially its costs, and the merchants who offer "easy credit terms" is imperative. This understanding might help them get more value for their money and could help keep credit costs down.

The purpose of this module is to provide the student with basic understandings as to the operation of retail credit and the legitimate sources for borrowing money. It is also an aim to acquaint students with the protection provided by government and local agencies in the area of consumer credit.

To insure pupil understanding, the teacher should feel free to expand, supplement, or replace units included in the module. The teacher should become familiar with credit problems in the community, and these problems should become a part of the classroom discussion. For example, the teacher in the low-income inner-city area would certainly want to devote more time to the discussion of credit as offered in the "Mom and Pop" stores. Another area of discussion could be centered around the activities of the local retail merchants who advertise their willingness to extend "easy credit terms."

Students should be encouraged to check local newspapers and to monitor radio and television programs for news of consumer credit. Such information can be the basis for lively classroom discussion on current issues and problems. This technique has the advantage of making the module come alive.

Wherever possible the teacher should utilize student experiences as motivation and a means of developing a lesson. The experiences of the teacher and of the families and friends of teacher and students can also be used in the same manner.

As a result of using the module, class discussion, and extended activities, students should

- develop an understanding of how and when to use credit
- recognize the dangers faced when using credit unwisely
- learn the advantages and disadvantages of credit buying
- come to understand how retail credit operates
- learn the sources from which money can be borrowed and how to shop for borrowed money
- become familiar with the high cost of borrowing money and buying on time
- learn about the installment contract and items to be checked before signing a contract
- be able to read and understand a credit statement
- become familiar with laws designed to protect the consumer
- be able to figure credit costs
- learn how to build and maintain a good credit rating.

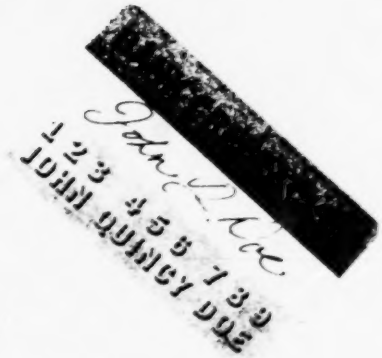
Reproduced with permission from "Teaching Consumer Education and Family Financial Management," Council for Family Financial Education.

Christmas Bills Pouring In? Taxes Around The Corner?

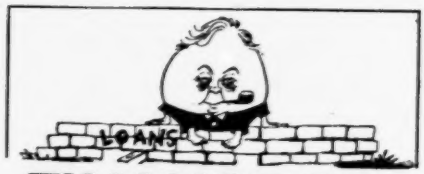
Caught With An Empty Purse?

Bankruptcies

Debt Counseling Needed, Lenders Say



BORROWING



FINANCE CO.

Consumer Credit

"We're members of a minority group— we pay cash for everything!"

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
WHAT IS CREDIT?		
. Credit, like cash, is a medium of exchange.	. Have the class list examples of credit extended to them by their family, their friends, or by local businessmen.	. "All About Credit," Changing Times, The Kiplinger Magazine, March 1963 - A magazine article discussing credit in layman's terms.
. Credit offers the consumer the opportunity to obtain goods and services without a cash outlay.	. Have students prepare a list of services for which they or their families have been extended credit. (dentist bill, cleaning bill, fuel bill, etc.)	
. Credit allows the consumer to use future income to purchase immediate wants and needs.		. "When You Use Credit," a pamphlet offering a brief outline on many phases of credit. Available from Division of Home Economics, Federal Extension Service, U.S. Department of Agriculture, Washington, D.C. 20402
. Credit gives the consumer the opportunity to borrow money from a bank or other lending institution for a promise to repay the loan with a lump sum or over a specified period of time.	. A fellow student asks for a loan of $10 until the end of the week. On what basis would you agree or refuse to grant the loan?	
	. What are some of the problems a person with a low income might face when going to a bank for a loan?	. Related reading: Black, Hillel, "Buy Now, Pay Later," William Morrow Pocket Books, Inc., New York, Paperbound, 1961
	. Prepare a list of things for which the consumer might want to borrow money. (automobile loan, school expenses, etc.)	
	. Have the students name lending institutions other than banks.	

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
. Consumer credit is based on trust in the customer's ability and willingness to pay his bills as they become due.	. Determine the class definition of trust.	
	. Arrange for a class visit by the representative of a local bank, finance company, or retail store to discuss the "how" and "what" of credit. Ask the visitor to discuss the criteria used for granting or refusing credit.	. Contact the local Chamber of Commerce to help arrange visits by local business representatives.
	. Suggest the visitor discuss how low-income people can improve their chances of obtaining credit.	. For background information on credit problems of the poor, have students contact the local branch of the Office of Economic Opportunity (OEO).
	. Ask how teenagers can start to build a credit rating for the future.	
HOW IMPORTANT IS CREDIT IN THE ECONOMY?		
. Credit transactions date as far back as 2000 B.C.	. Invite the social studies instructor to class to discuss credit as it was used in previous times and its effect on the course of history.	
. Early American settlers purchased supplies "on time" until their crops were harvested. Some farmers still use such credit.	. Invite the economics instructor or a representative of business (local manager of the Better Business Bureau or credit manager of a retail store) to discuss the effect of credit on the economy of the town, the State, and the country.	
. The Industrial Revolution and the introduction of mass production gave our factories huge production potential. Mass consumption was vital to move the mass-produced goods.		

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
To insure mass consumption, credit was offered to the consumer.	. Have students do research on production figures of radios and cars before and after the introduction of assembly line procedures.	
. Increasing employment brought about by mass production gave workers a more stable income, allowing them to pay for goods and services out of future income. The increase in employment reduced the risks of offering credit.	. "Low-income people, even though employed, may have trouble obtaining credit." Elicit student reaction to this statement. What suggestions do they have for solving this problem?	. Film: "Credit — Man's Confidence in Man," available from Modern Talking Pictures, 3 East 54th Street, New York, N.Y. 10017. 30 minutes. The film is a story of credit and its effect on the economy.

Steady employment increases the demand for and the supply of credit.

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
. High levels of employment increase consumer confidence in the economy and consumers are more likely to purchase goods and services offered by industry under such conditions.	. Student research assignment: Check Labor Department unemployment figures for the past 5 years. Check consumer credit debt figures for the same period. What is the correlation between levels of employment and the consumer credit debt?	. Surveys show levels of employment have a direct effect on consumer credit. The consumer credit bill increases with increased employment. (Survey taken by the Survey Research Center of the University of Michigan, February 1972)
. The amount consumers owe for credit is close to $150 billion and is steadily rising.		
. More than two thirds of the families in the country have used credit.	. Poll the class to determine how many families use or have used credit.	
. Of the newly married couples in the country, 80 percent use credit.		
. More than 2 million teenagers have credit accounts with the number increasing each year.	. How many students in class have a credit account? . Discuss the satisfaction pupils get from using credit versus the satisfaction that might be obtained from the alternative of saving money in order to pay cash.	. "Touting Teen-Agers," Newsweek Magazine, February 2, 1968. This article deals with the wooing of the teenage market by the retail industry.

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
. Restraints on credit may be imposed by the Federal Government. These restraints may require lenders to limit the amount of credit and to charge higher interest rates. The intended effect is to combat inflation.	. Have students check the financial and news sections of newspapers for articles dealing with government restraints on credit. Have them report on their findings. Question for discussion: Should the Federal Government interfere with the control of credit in a free economy?	. For leads on newspaper and magazine articles, have pupils use the New York Times Index and the Readers Guide to Periodical Literature. For concomitant learning, arrange for a library lesson to show students how to do research.
HOW DOES THE CONSUMER USE CREDIT?		
. The consumer uses credit as a purchasing tool that allows him to obtain goods and services without having the necessary cash in hand.	. Have students survey all the advertisements in a daily newspaper. Determine how many offer credit as a substitute for cash. What conclusions may be drawn from the findings of this survey?	. Film: "The Wise Use of Credit," available from Association Films, 1000 16th Street, N.W., Washington, D.C. 11 minutes. Free loan. The film gives guidelines for the wise use of credit.
. When used wisely, credit is a useful purchasing tool.		
. Used foolishly, credit will lead to financial problems.	. Relate or ask for examples of how the unwise use of credit caused financial difficulties. . Discuss the need for a budget in determining how much credit should be used. At this point the teacher might show students how to prepare a budget.	. "Are You Making the Best Use of Your Credit?" Better Homes and Gardens, January 1968, a magazine article dealing with the many facets of credit buying.

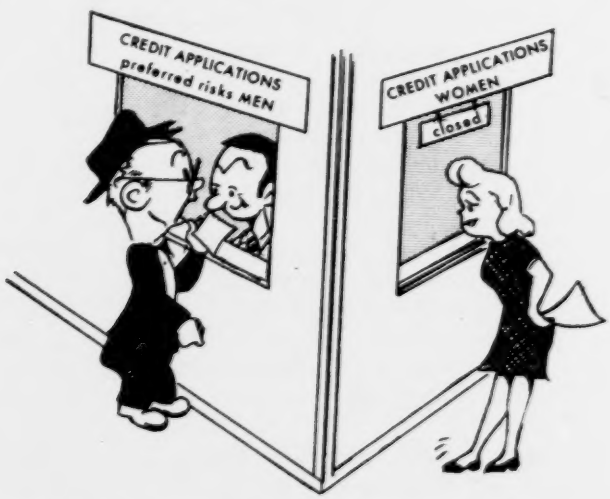
UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
	. Have students prepare a personal budget to determine the amount of credit debt they can safely incur.	. "Consumer Credit and You -- The Consumer Finance Story," available from the National Consumer Finance Association, 1000 16th Street, N.W., Washington, D.C. 20036. This pamphlet, in cartoon presentation, contains an eight part checklist for using credit wisely.
. Many retailers and firms offering credit make it very easy to obtain.	. Why does the retailer cater to the credit customer?	
	. Point out the dangers that might be faced when credit can be obtained too easily.	
WHAT ARE THE CREDIT PROBLEMS OF THE POOR?		
. Credit can be either too easy or too difficult to obtain.		. Background material: Remarks of Hon. Bob Eckhardt quoted in the Congressional Record, July 10, 1969: "Being largely unschooled in commercial practices and being forced to shop for credit, the low-income consumer finds himself at the mercy of the merchant...For a low-income consumer who has little or no credit and is shopping for credit, the acquisition of necessities is the basic consideration. If the consumer cannot get credit elsewhere, he will purchase the merchandise on whatever conditions are available...With such a clientele, the merchant is in a position to literally dictate the terms."
. The poor are often unaware they are being cheated.		
. The poor, in many cases, don't know where to go to complain or how to complain.	. Have students compile a list of where people can go to make complaints. (Legal aid societies, storefront agencies, etc.)	
. Many poor people are afraid to complain.		
. Too many poor people "don't want to get involved."	. Determine student reaction to the fact that people, rich or poor, "do not like to get involved."	
. Poor people cannot afford the costs of legal aid in obtaining help.	. Invite a representative of the local Legal Aid Society to discuss how the society can be of service to consumers in the community.	

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
. Choice of merchants offering credit is limited, in most ghetto areas, to small independent retailers.	. Project: Have students survey the kinds of retail stores in a middle class section and in a low-income ghetto area. Determine which area has the greater number of well-known retailers. Which area has more nationally known chain store operations? Which area has the more modern type of store? What are some conclusions that can be arrived at as a result of the survey?	. "Consumer Problems of the Poor," The University of the State of New York, The State Education Department, Bureau of Secondary Curriculum Development, Albany, New York 12224
. Many retailers consider the poor bad credit risks.	. "If you have a good credit rating it is easy to obtain credit." In light of the above statement, how can the poor consumer improve his credit rating so he is no longer a poor credit risk?	
. The poor usually pay more for the merchandise purchased. The higher cost of the merchandise adds to the interest costs.	. Do a comparison shopping survey. Using a specific model of a color television set, a stereo phonograph, or other hard goods, have students obtain prices being charged in the downtown shopping area, a suburban shopping area, and at an independent retailer in a shopping district in a low-income area. Discuss how low-income people can combat a situation in which higher prices are being charged.	. Film: "The Poor Pay More," Indiana University Film Service, Bloomington, Indiana 47401. Based on the book by Caplevitz, David, "The Poor Pay More," Free Press of Glencoe, Macmillan, 1963 . "Touting Teen-Agers," Newsweek, February 2, 1968

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
. The poor usually pay higher interest costs.	. Compare the interest rates charged by banks, finance companies, and pawnshops. Which of the above are most likely to grant credit to the poor?	. An article, "Easier Credit For Teenagers," in Consumer Reports, September 1972, stated the following: "Along with the right to vote, a lot of 18 and 19-year olds are taking on other legal responsibilities of adults; the capacity to enter into contracts, to sue or be sued, to borrow money and to use credit. Seventeen states have already passed legislation lowering the age of majority from 21 to 18 or 19. As full-fledged consumers, young adults will experience the pitfalls and advantages of their enhanced buying power. More than ever before, retailers will consider this age group, numbering over 15 million, a fair market for their goods. Once the youth market is sized up, advertising and sales pitches will take renewed aim at the yearly teenage income of $19.1 billion.... "The right to enter contracts will mean young adults can be held to installment sales agreements, whereas previously, the contract could be voided whether fraud could be proved or not.
WHY ARE MORE RETAILERS EXTENDING CREDIT TO TEENAGERS?		
. Teenagers spend in excess of $20 billion a year.	. Determine how much the teenagers in class spend daily, weekly, monthly, yearly. Project these figures to estimate the total amount spent by the student body of the school.	
. By extending credit to teenagers, the retailer is capturing future customers.	. How many students in class have their own credit accounts?	
. Many retailers consider teenagers good credit risks.	. Survey local retailers to determine those willing to extend credit to teenagers.	

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
. Retailers may require parents to guarantee payment before granting a teenager credit.	. List the reasons why a retailer would require a parent to guarantee payment for a teenager. . Invite the law instructor to visit the class to discuss the law of contracts as it pertains to teenagers. . Conduct your own credit survey. Find out which firms in town extend credit to teenagers. Have specified boys and girls make applications for credit. What were the results of their efforts? . Have the class develop a questionnaire designed to determine teenage attitudes towards credit. Ask students in other classes to complete the questionnaire. Use the findings to arrange a discussion or debate on teenage credit. Some questions that can be used are: Will having a charge account teach you financial responsibility? Is the teenager more susceptible to impulse buying? Would you, the teenager, like to have a charge account? Why? Do you think a teenager is a good credit risk?	. "According to banks and other creditors questioned by CU, youths will come up against the same eligibility restrictions faced by older applicants for consumer credit. If so, they should have a difficult time of it. As a matter of course, banks base an individuals credit status on length of employment and residence, income, and cash assets. Big loan companies like Household Finance Corporation insist that no new barriers to credit have been established, nor have any programs to accelerate lending been initiated. "...Department stores offering charge accounts make credit too temptingly available. In a recent survey of the youth market, 19 percent of the youngsters (ages 14 to 18) possessed department store credit cards. When retailers woo teenagers with come-ons such as charm school courses, gift packs, free samples, or credit cards, they are giving young consumers a taste of easy credit--in other words, a lesson in poor money management."

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
DO WOMEN HAVE TROUBLE GETTING CREDIT?		
. According to women their experiences show: - Men can get credit easier than women. - Single women find it simpler to get credit than married women. - Married women find it very difficult to obtain credit in their own name.	. Set up a debate using the question, "Are women good credit risks?"	. Foster, Lillian, "The Credit Game--Unfair to Women," McCalls, September 1972, p. 29
	. Using the results of the survey conducted in the previous unit (see last activity in the unit), determine whether it is more difficult for girls to obtain credit than for boys.	. Congresswoman Martha W. Griffith (D. Mich.) reported: "Banks, savings-and-loan associations, credit card companies, retail stores and even the Federal Government discriminate against women in extending credit...And they discriminate against women in all stages of life--whether single, married, divorced or widowed; with or without children; rich or poor; young or old."
. Some married women report that companies that had extended them credit in their own name before they were married adamantly refused to do so afterward.	. It is estimated that 30 million women draw paychecks for full-time jobs. Why should this factor be considered by credit managers?	
. There is no Federal law and there are very few state laws prohibiting discrimination against women in the area of credit.	. Determine student reaction to the statement (in the Source column) made by Congresswoman Martha W. Griffith of Michigan.	



Women find it more difficult than men to secure credit.

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
WHAT ARE THE REASONS FOR USING CREDIT?		
. Credit offers convenience since the consumer does not have to carry large sums of money. There is also the convenience of being able to pay for all purchases at one time.	. What is the advantage of not having to carry large sums of money when shopping? . Why is it desirable to pay for all purchases, usually by check, at one time?	. "It's Your Credit--Manage It Wisely," Money Management Institute, Household Finance Corporation, Prudential Plaza, Chicago, Illinois 60601
. The consumer has the use of goods and services while paying for them.	. Discuss the question of obsolescence as it relates to using an item while still paying for the item. A good example would be the purchase of an automobile, paying for it over a period of 3 years. . How does the fact that you use the item while paying for it concern the low-income consumer? . What problems arise when articles bought on credit are worn out before the final credit payment is made? Example: A girl joins a hosiery club. The hosiery is worn out before the final payment is made.	. Levy, Feldman, Sasserath, "Consumer in the Marketplace," Pitman Publishing Company, 1970, pp. 79-80
	. Have students prepare a list of items in their home which they might not have if it were not for credit buying.	Fetterman, Elsie, "Consumer Credit," Publications Division, University of Connecticut, Box U-35, Storrs, Connecticut 06268, 23 p., 20¢. The pamphlet presents facts about consumer credit, including the advantages and disadvantages of using credit.
. Credit customers get good service because they tend to be repeat customers.	. May the fact that merchandise has not been paid for have an effect on the service offered by the seller?	

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
. Credit offers a way to handle financial emergencies due to unexpected expenses such as sickness, accident, death, or when bills become too great to pay out of current income.	. Have pupils relate situations where credit came in handy in an emergency.	
. Credit affords the consumer the opportunity to raise his level of living.	. Point out that saving for costly purchases, such as an automobile, may mean waiting a long time. Credit enables the consumer to get the purchase now (instant gratification). In the scale of values, how does instant gratification compare to saving money by deferred gratification of desires?	
. The proper use of credit helps build a good credit rating.	. Discuss the importance of discharging credit obligations as quickly as possible.	. Film: "Credit," available from Modern Talking Pictures Service, Inc., 927 19th Street, N.W., Washington, D.C. 20006. 16 minutes, color. Borrower pays return costs. Part of the film deals with obtaining a credit rating.
. Credit can be used to consolidate debts. Debt consolidation does not reduce the amount owed; it spreads payments over a longer period of time and adds to the total cost of money owed.	. Provide examples of how debt consolidation operates. For example, use this and similar problems: Mr. Jones has payments of $200 a month that he makes to five different creditors; it will take 6 months to pay off all his bills. By borrowing a lump sum from a finance company, Mr. Jones	From "Using Credit Wisely," Credit Union National Association Inc., Box 431, Madison, Wisconsin 53701. "And perhaps the most important reason for using consumer credit is for the consolidation of debts. The study indicates that 33 percent of the loans granted to individuals and families were for

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
	can pay off all his debts immediately. Mr. Jones will then have to pay the lender $80 a month for a period of 18 months. How much does Mr. Jones pay for debt consolidation? (Answer $240.00)	the purpose of combining many debts from several lenders into one debt from a single lender. The main advantages of consolidation loans is that they generally provide a more realistic repayment schedule as the newly borrowed cash is used to pay off the other lenders."
WHAT ARE THE DISADVANTAGES OF USING CREDIT?		
. The cost of credit is high.	. Explain that a businessman cannot afford to give you something for nothing. If he allows you to "pay later" then he charges you interest for the privilege.	. "Do You Know What You Pay For Credit?" reprint from Changing Times, The Kiplinger Magazine, 1729 H Street, Washington, D.C. 20006, 2 p.
	. Point out that interest on a home mortgage, when paid over a period of 25 or 30 years, is usually more than the price of the house. Example: the interest cost per thousand dollars on a 30 year mortgage at 6½ percent is $1,278.80.	. "Consumer's Quick Credit Guide," A1.11/3 C86, 1964 U.S.D.A., Supt. of Documents, GPO, Washington, D.C. 20402. 2 p. 5¢. A guide to finding the rate of credit charges and how to figure the dollar cost of credit. (Available also in Spanish.)
. The consumer ties up future income, and its use becomes more rigid, since some of it is already earmarked to meet credit payments.	. Set up a debate based on the main theme of credit — "Buy Now, Pay Later." Poll the class before the debate on their attitudes toward using credit. Conduct a poll after the debate to determine if there was a change in the attitudes of the class.	

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
. Credit may tempt you to overspend since you are not paying cash.	. Present this situation to the class: You are going to need a dress (or suit) for the school prom. The purchase will be made on your parents' charge account. The salesperson shows you a dress selling for $20 and another selling for $30. You find both very attractive. Which dress will you buy? Why? (If you use a suit as an example be sure to use appropriate prices.)	. "Credit — To Use or Not To Use," HXT-92, University of California Cooperative Extension Service, Berkeley, California. This is a pamphlet, in cartoon form, showing what credit will do for you and the dangers of using credit. . "Facts You Should Know About Credit," National Consumer Finance Association, 1000 16th Street, N.W., Washington, D.C. 20036, Free.
. The consumer tends to shop in those stores extending him credit.	. Why is it desirable to comparison shop before making a purchase? . Ask students to compare prices for identical items in a store where they or their parents have a charge account and with a store which does not extend credit. Have them report on their findings. What other variables besides the provision of credit might influence prices?	
. If payments are not made on schedule, the consumer runs the risk of losing the merchandise.	. Explain the meaning of "repossessing." (Repossession will be discussed in greater length in the section on installment credit and the Truth-in-Lending law. . Ask students for any experiences they or their families may have had with goods being repossessed.	

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
. Credit is a complex matter and difficult to understand. Many consumers do not have a clear picture of the cost of credit, nor do they understand their legal obligations when they sign a credit contract.	. Have the students collect advertisements offering credit. Ask them to circle all those terms they do not understand or they feel might be misleading to the consumer. . Using the advertisements collected by the students, discuss the following questions: Do the advertisements give the reasons for using credit? Is emphasis placed on the cost of the credit? Is any mention made of the legal obligations being assumed by the consumer? . Set up a bulletin board display using the advertisements collected by the students. Make the bulletin board thought-provoking by listing questions used in class to discuss the advertisements. . Make it clear to the class, through the questions suggested above, and others you might ask, that most advertisements contain a "hard sell" and little effort, beyond that required by law, is usually made to give the consumer a clearer picture of what is involved when credit is used to make purchases.	. Note to the teacher: When discussing the advantages and disadvantages of credit, emphasize that the pros and cons should be interpreted by the individual in the light of his or her own circumstances. For example, some of the reasons for using credit might not be valid in the light of circumstances faced by the low-income consumer. . Price, Musselman, Hall, & Weeks, "General Business for Everyday Living," McGraw-Hill, pp. 147, 148

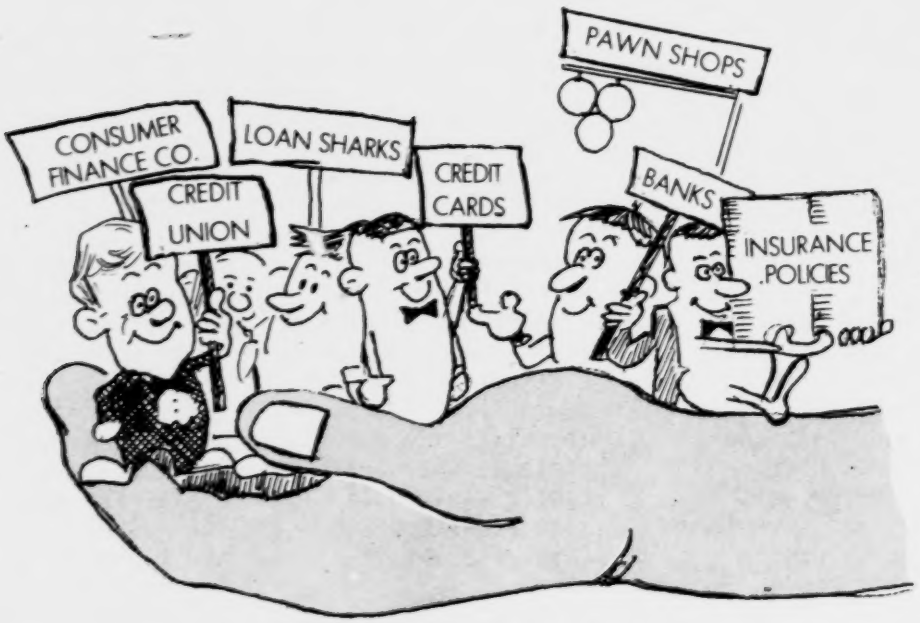
UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
	. Arrange for a school-wide assembly at which the consumer education class will present a program dealing with the pros and cons of using credit. Time should be left for students to answer questions by the audience.	
WHAT ARE THE TYPES OF CREDIT AVAILABLE TO THE CONSUMER?		
. All consumer credit can be classified as one of two types: - Sales credit is offered when the consumer purchases goods and services. - Cash credit is given to consumers in the form of cash.	. Have the pupils prepare a list of the kinds of firms offering sales credit. (Examples: department store, appliance dealer, repair service, etc.)	. "It's Your Credit — Manage it Wisely," Money Management Institute, Household Finance Corporation, Prudential Plaza, Chicago, Illinois 60601 . See Credit-Cost Table on following page. Since this table was prepared in 1966, interest costs would need to be revised upward. However, the advice is just as sound today as when it was published.
. Each type of consumer credit is further classified according to the method of repayment. These classifications are as follows: - Noninstallment credit is that in which the consumer discharges his obligation with one payment. - Installment credit requires the debt to be paid in a series of payments ranging from weeks or months to years.	. Ask students for examples of instances where they or their family discharged a credit obligation with a single payment. List on the chalkboard the firm or the individual to whom payment was made. Can a pattern be established as to the kinds of firms or individuals who require you to discharge your debt with a single payment? . Prepare a list of items you might purchase with noninstallment credit;	. Gordon & Lee, "Economics for Consumers," 5th edition, American Book Co., p. 285

CREDIT-COST TABLE

Type of credit	Usual cost rate per annum	Recommendation
College education loans qualifying for Federal subsidy.	3 percent	By all means.
College education loans with State or private guarantee, or with security, but without subsidy.	6 percent	OK for good students.
1st mortgage home loans, open end monthly payment plan.	6 to 7 percent	Good for most families with permanent, stable employment. Will clear the home from debt in 20 years or less, for rent money.
Unsecured home improvement loans from savings and loan associations and banks.	9½ to 13½ percent	Better than 1st mortgage refinancing for major improvements to homes with old low-rate mortgage that will not secure advances; otherwise, not recommended except in cases of extreme need.
Credit union loans	8 to 10 percent (after dividends).	Cheapest and most satisfactory form of small credit.
"Instant-cash" to $100 on bank charge-cards.	12 to 18 percent	The 12 percent deal is a bargain as small loans go; we do not recommend 18 percent loans.
Revolving credit plans of retail stores, including bank charge-card plans.	18 percent and up	Not recommended.
30-day retail credit, any plan, including charge-cards.	None	OK for convenience, if the price of the goods is right and you know you can pay the bill when it comes; but check prices against cash stores.
Automobile loans	8 to 200 plus percent	Beware the high cost of required insurance; better drive old car till you save enough money to trade up with cash.
Appliance loans	10 percent and up	Cash will usually buy it for 20 to 30 percent less; save and shop.
Personal loans (confidential) no questions asked.	30 percent and up	Not recommended.
Loans from friends, relatives or employers.	(?)	Not for self-respecting people.
Loan sharks, unlicensed	The sky's the limit	No.

Source: Talman Federal Savings & Loan Association, Chicago, Ill. 1966

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
	do the same for installment credit. Can the students see patterns developing as to when each type of credit is used?	



Many agencies are prepared to lend money. Pick the one best for your purposes.

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
WHAT ARE THE SOURCES OF CONSUMER CREDIT?		
. Retail sellers offer charge accounts, budget accounts, revolving accounts, and also use conditional sales contracts for higher-priced merchandise.	. (Note to the teacher: This unit merely serves as an introduction to the sources of consumer credit. Each source listed is discussed in greater detail in the units that follow.)	. "Shop For Your Loan," HXT-94, University of California Cooperative Extension, Berkeley, California. This eight page pamphlet, utilizing cartoons, offers a brief description of how banks, finance companies, credit unions, pawn shops, and illegal lenders operate.
. Banks offer consumers installment plans, single payment loans, revolving credit plans, mortgages, and passbook loans.	. Have students stop in a local bank to pick up literature describing the types of loans available to consumers.	. A chart, "The Chase Manhattan Credit Game," is available from The Chase Manhattan Bank. Write to Consumer Affairs Officer, The Chase Manhattan Bank, 1 Chase Manhattan Plaza, New York, New York 10015. Also available is a booklet based on the game and a 14-minute filmstrip and cassette.
. Savings and loan associations will finance consumer contracts for purchasing goods and services, offer home improvement loans, and make loans to depositors or shareholders.	. Prepare a list of the savings and loan associations in your community. Ask students to relate any experience they or their family might have had with a savings and loan association.	
. Small loan companies make installment loans and automobile loans.		
. Credit unions make loans to members for provident and productive purposes.	. Arrange for a visit by a representative of a credit union to discuss how the union functions and for what purposes loans are made.	. "What's So Good About Credit Unions?" #24, Consumer Information Cartoon Leaflets, Bay Area Neighborhood Development, 8924 Holly Street, Oakland, California 94621
. Insurance companies make cash loans to policyholders.	. Bring in an insurance policy and read those provisions dealing with loans.	

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
. Pawnbrokers offer security loans.	. Determine if any one in class has had dealings with a pawn shop. Have him explain how the loan was obtained. How is it like and unlike other types of loans?	
. Illegal lenders, better known as loan-sharks, offer loans to businesses and individuals at excessive rates.	. Make it clear that illegal lenders are just that - illegal. (More detailed instruction on how illegal lenders victimize low-income and poor consumers follows in a later unit.)	
. Credit card companies such as American Express and Diner's Club provide credit services to consumers.	. Ask a student who has a credit card, or whose parent has one, to describe how the card was obtained, for what it is used, when payments are made, and the cost of such credit.	
HOW DOES RETAIL CREDIT OPERATE?		
. There are three basic kinds of retail credit in use. Choice of a plan depends on what you want to buy and how you want to pay for it.		
. Regular charge accounts, sometimes called 30-day charge accounts, operate as follows: - All purchases made during the month may be charged. - Your bill must be paid within 10 to 30 days after you receive your bill, to avoid credit costs.		. "How To Choose and Use Retail Credit," Consumer Information Services, Department 703- Public Relations, Sears, Roebuck and Company, Chicago, Illinois 60611

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
- No interest is charged if the bill is paid within the specified time. - If bill is not paid within the specified period, the retailer may add a service charge on the next bill. Some retailers do not add this charge even though they have the right to do so.	. Why might a retailer waive his right to add a service charge on the bill of a customer who does not pay his bill on time?	. Film: "How To Use Credit Wisely," Money Management Institute, Household Finance Corporation, Prudential Plaza, Chicago, Illinois. 28 minutes.
. Retailers usually offer charge account customers special privileges such as invitations to private sales and advance knowledge of sales being held by the store.	. Why do retailers cater to charge account customers?	. Consumer Education — Lesson Plans, The University of the State of New York, The State Education Department, Bureau of Continuing Education Curriculum Development, Albany, New York 12224. This publication contains lesson plans that could be useful in teaching this unit.
. Revolving or open-end accounts, which combine features of charge accounts and installment plans, operate as follows: - You are given a credit line - a limit on how much you can charge. - Purchases can be made up to the credit line limit. - A bill is received each month for purchases made during the month. - The consumer has the option of paying the entire bill or part of the bill.	. How do charge account customers, and those with revolving accounts, identify themselves to the stores? (Show examples of charge cards to the class.) . A consumer has a credit line of $400. During the month he makes purchases of $35.50, $22.90, and $46.50. He also makes a payment of $25. What is the amount of credit he still has available? (Answer $320.10)	. "The Whole Truth About Revolving Credit," 1967. Consumers Assembly '67, 1027 Vermont Ave., N.W., Washington, D.C. 20005, 8 p., Free.

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
- If the consumer pays the entire bill within the grace period, there are no credit charges. - If the consumer elects to pay only part of his bill, he will be charged interest on the unpaid balance when he receives his next bill. - The rate of interest the retailer usually charges is 1½ percent per month on the unpaid balance. - Most retailers require a minimum payment, usually $10, each month. - Some retailers determine the finance charge by applying the monthly rate to the opening balance minus any payments made during the month.	. What is the yearly rate of interest when the credit charge is 1½ percent per month? (1½ percent x 12 = 18 percent.) . Have students compute the interest cost in each of the following cases: - Opening unpaid balance - $230 Payments made during month - $40 Interest charge - 1½ percent on opening unpaid balance. What is the dollar cost of the interest? (Answer: $3.45) - Retailer B computes interest charges based on the opening unpaid balance minus payments made during the month. Figure the interest charged for the example above. (Answer, $2.85) . Why is it important for the prospective revolving charge account customer to check with the retailer to determine the basis for computing interest?	. "Consumer Credit Calculator," 1967. Consumer Interest Committee, Kansas Home Economics Association, c/o Dept. of Family Economics, Justin Hall, Kansas State University, Manhattan, Kansas 66502, 15¢ each. A folder that fits into a school notebook, enabling you to compute true annual interest rates.

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
. Installment or time payment plans are usually used for big purchases. - This type of credit usually involves a written agreement for each purchase. - A down payment is usually required. - Balance due the retailer must be paid over a specified period of time, usually weeks, months, or years. - Finance charges vary according to the amount financed, the length of time for making repayment, and the retailer's expenses for offering this service. - Title to the merchandise remains with the seller until the final payment is made. - If payments are not made, the seller has the right to repossess the item. - In some cases the retailer, in addition to repossessing the merchandise, can place a garnishment on the salary of the consumer. A court order must be obtained in order to garnishee a person's wages.	. Obtain samples of a credit contract and go over the information requested therein. Why does the seller insist on these provisions? If you were the merchant extending credit would you insist on the same protection? . The danger faced by a consumer who fails to live up to a contract should be made clear to the class. . When an item is repossessed, the consumer loses all that he has paid in addition to the merchandise. . Explain the meaning of garnishment - the right to take out of your paycheck the amount of money owed. Point out that the amount that can be taken from a person's salary is governed by the Federal Truth-in-Lending law and State law.	. "Installment Credit Guide, Special Report, Part I," Dec. 1967, Commerce Clearing House, Inc., 4025 W. Patersen Avenue, Chicago, Illinois 60646, 87 p., $1. . Film: "Installment Buying," Coronet Films, 65 East South Water St., Chicago, Illinois 60601. The film investigates the reasons for installment buying and the points to consider. . Levy, Feldman, Sasserath, "Consumer in the Marketplace," Pitman Publishing Co., New York, New York, 1970, pp. 91-95 . For case studies, refer to "Case Studies - Consumer Credit," Available from Consumer Education Committee, New York State Council on Economic Education, State University of New York at Albany, 135 Western Avenue, Albany, New York 12203.

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
WHAT IS THE COST OF RETAIL CREDIT?		
. Regular charge accounts carry no finance charges providing all bills are paid within the specified time.	. Obtain an application for a regular charge account from a local department store. Using an opaque projector, discuss those parts of the application dealing with repayment methods.	. Farnsworth, Clyde, "No Money Down," McFadden-Bartell, 205 East 42nd St., New York, N.Y. 10017, 1963, 157 p., 50¢. A discussion on the costs and pitfalls of easy credit.
. On revolving credit accounts in New York State, most merchants charge 1½ percent interest per month, on the unpaid balance up to $500; 1 percent is usually charged each month for unpaid balances over $500.	. What is the interest charge per month on an unpaid balance of $36; $150; $450; $595; $860.40. (Use interest charges quoted in Understandings Column) (Answers: 54¢; $2.25; $6.75; $8.92; $12.91)	. Morse, Richard L. D., "A Workbook on Consumer Credit," Journal of Home Economics, Jan. 1968, 6 p., 1600 20th Street, N.W., Washington, D.C. 20009. Reprints 25¢
. 1½ percent interest per month amounts to 18 percent interest per year.	. Law requires retailers to indicate interest charges in terms of a monthly and yearly percentage. Most retailers comply with the law, but more emphasis is usually placed on the 1½ percent figure. Why do you think retailers do this?	. "The National Commission on Consumer Finance will recommend that banks be permitted to charge 42 percent interest on small loans and consumer credit. The proposal was leaked as part of a commission report which is circulating on Capitol Hill. Commission spokesmen refused to comment to FNS on the recommendation. Their final report is due to to be released soon. At present, interest rates charged by banks are considerably lower than those permitted by States. Current interest rates charged by banks average about 12 percent. For retailers, interest on their credit charges range between 12 and 24 percent, while
	. Develop a bulletin board showing the various kinds of retail credit and their cost to the user. A similar bulletin board can be prepared when the class is discussing the sources of borrowing money.	

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
	. Comment on the press clipping in the Source Column. Does 42 percent seem unreasonable for small loans? What is meant by "unconscionable"?	finance companies charge rates of between 24 and 36 percent. The new confidential report reveals that the commission proposes that States, which regulate the interest, allow banks, finance companies and retailers all to charge 42 percent on credit charges or interest on loans or transactions between $100-$300. For totals between $301-$1,000, the commission recommends a 21 percent rate, and a 15 percent rate on amounts over $1,000. "For amounts which total less than $100, the commission sets no rate and says that any interest rate that is not 'unconscionable' should be permitted." "Hear U.S. Panel Backs 42% for Small Loans." FNS news release, October 23, 1972
	. "How To Choose and Use Retail Credit," a booklet issued by Sears, Roebuck and Company, in dealing with revolving credit states: "...you normally pay a charge of 1 percent to 1 percent. ...This amounts to a nominal annual rate of 12 percent to 18 percent." Do pupils consider a charge of 12 percent to 18 percent a "nominal" charge?	
. Installment plan credit costs depend on the amount of credit used, the interest charged, and the length of time you take to repay.	. The following statement is made in "It's Your Credit - Manage It Wisely:" "...the risk becomes greater as the possibility increases that the credit user will not meet his obligations fully or promptly. Creditors who extend credit to higher risk customers are permitted by law to charge more to cover higher investigation costs, extra expenses incurred in more	. "Off the Editor's Chest — Does 'buy now — pay later' cost too much?" Credit Union National Association, Public Relations Dept., P.O. Box 431, Madison, Wisconsin 53701, 2 p.
. Interest charges can run from 12 percent to 24 percent and even higher.		
. The higher the credit risk, the more the consumer can expect		

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
to pay in interest and carrying charges.	collection work, and higher losses. Conversely, creditors whose rate of charge is low (by choice or law), must limit their credit to loans which they believe involve smaller collection expenses and a lower risk of loss." How does this affect the chances of the low-income consumer in obtaining lower charges for the credit extended? Do you feel this situation is fair to the low-income consumer? What might the low-income consumer do to remedy this situation? Should the government assist low-income consumers by guaranteeing their loans?	
. Most retailers cover the cost of providing credit by charging the customers who use it in the form of direct finance charges.		. "Using Credit Wisely," Credit Union National Association, Inc., Box 431, Madison, Wisconsin 53701, pp. 20-24
. When stores cannot recover the costs of extending credit in the form of a finance charge (restrictions placed on them by law), they usually raise the prices of goods and services they sell to all customers.	. Is it fair that the cash customer may pay higher prices to help pay for the credit extended to other customers? . What alternative do consumers have who do not wish to pay the costs of offering credit?	. A New York City Department of Consumer Affairs regulation makes it mandatory for advertisers to list hidden charges so they can readily be seen. The regulation provides that hidden or added charges and special conditions must be printed in lettering at least

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
. The charges incurred by the retailer offering credit include interviewing customers applying for credit, making a credit check, sending bills, accepting and recording payments, and following up on past due accounts. There is also the expense of unpaid bills — those bills that are owed but cannot be collected.	(Answer: They may wish to trade with stores that do not extend credit.) . A customer makes this statement: "If I pay more for items because of credit extended to someone else, then I might as well use credit and not pay cash." What is your reaction to this statement?	one-third as high as the largest letters in the section of the ad to which they apply. In radio and television advertisements, extra costs must be stated immediately before or after the offer is described.
HOW CAN THE COST OF CREDIT BE KEPT DOWN?		
. Use only as much credit as you can repay without difficulty. . Shop for credit as you would for the merchandise you buy with credit. . Make a large down payment. This is desirable even if it means waiting a while longer before you purchase the item.		. Changing Times Education Service offers mini-units for use in Consumer Education courses at a reasonable cost. For information write to Changing Times Education Service, Dept. S, 1729 H Street, N.W., Washington, D.C. 20006. Mini-units available in credit are "Hard Facts About Easy Credit," $8; "Warning! Double-Check Those Charge Accounts," $8. Also available is an audiovisual sound filmstrip, "So You Want to Use Credit," $39.
. Pay all bills due promptly. If you are not able to make a payment, notify the creditor immediately.	. What is the advantage of notifying a creditor immediately when you are not able to make a payment.	
. Reduce cost of installment purchases by keeping the period of repayment as short as possible.	. A bank offering an automobile loan charges $4.75 interest annually for every $100 borrowed. If you borrow $1,000, how much interest must you pay	

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
	if the loan is taken for 1 year? 2 years? 3 years? (Answers: $47.50; $95.00; $142.50)	
. Do not maintain a large unpaid balance on a revolving credit account.	. Problem: The unpaid balance on a revolving credit account is $400. How much interest will you pay if the interest rate is 1½ percent? If you make a $50 payment, how much interest must be paid the second month? You make another $50 payment. How much interest will be paid the third month? What is the total dollar cost of interest to date? (Answers: $6.00; $5.25; $4.50; $15.75)	
. Maintain a good credit record as this will make you eligible to deal with firms specializing in doing business with good credit risks.	. Why does maintaining a good credit record keep down your credit costs?	
WHAT PROBLEMS FACE THE POOR IN USING INSTALLMENT CREDIT?		
. The poor consumer is not usually aware of what his responsibilities are under the credit contract he has signed. . He is often sold shoddy merchandise at inflated prices.	. Have the representative from a local poverty agency or Legal Aid Society visit the class to discuss how consumers can protect themselves when dealing with less-than-ethical retailers. Have the speaker indicate where in your community you can complain if you feel	. "Economic Report on Installment Credit and Retail Sales Practices of District of Columbia Retailers," March 1968, Report of the Federal Trade Commission, Supt. of Documents, GPO, Washington, D.C. 20402, 52 p., 35¢

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
. The poor consumer is, in many instances, limited in the choice of retailers who will sell to him on credit. Therefore, he usually pays a premium price for the merchandise. . Many ghetto stores do not handle brand-name merchandise. . Credit charges may be more than the law specifies can be charged. . In many instances, the merchandise wears out or breaks down before it is paid for.	you are being victimized. . Have two students, equipped with a school or personal tape recorder, visit an appliance store in a ghetto neighborhood. Determine from the store owner what his policy is towards handling name brand products. Try to determine what factors are responsible for the store owner's policies.	. "A Guide For Today's Consumer," State of New York, Department of Law, Albany, New York
. Many retailers sell credit contracts to banks and finance companies. In this way they receive their money immediately. This fact is not usually made known to the consumer and, since the retailer has his money, he may not give the consumer satisfactory service.		. Selling installment contracts is a common practice. The person who buys the contract is called the "holder in due course." Under a recent New York State law, consumers can assert their rights against third party finance companies in the event the merchandise becomes defective within the warranty period or the buyer turns out to have been the victim of fraudulent or deceptive claims made by the seller.

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
WHAT SHOULD THE CONSUMER KNOW ABOUT THE CONDITIONAL SALES CONTRACT?		
. The Retail Installment Contract and Security Agreement is another name for a conditional sales contract.	. Obtain a copy of a conditional sales contract. Using an opaque projector, point out each section that must be filled in according to the law.	. See copy of Retail Installment Contract and Security Agreement on following page.
. When you sign a conditional sales contract you agree to - make all payments to repay the debt - refrain from selling what has been purchased until it is fully paid for - take care of any damage to the merchandise - return the merchandise if payments are not made.	. If an overhead projector is available, make up a master copy of a conditional sales contract and fill it in, showing all those sections that must be completed before the contract is signed.	. "Consumer in the Marketplace," Ibid., pp. 92-94 . "It's Your Credit — Manage It Wisely," Ibid., p. 26
. Under the terms of the Consumer Protection Act, the following information must be clearly stated on every credit contract: - the amount financed - the total amount of payments - finance charges expressed in dollar amounts and as an annual percentage rate - date on which the finance charge begins to apply, if different from the date of the transaction	. Duplicate a copy of a conditional sales contract that has been filled in with some items left out or with wrong information. Give this to the class and have them point out all the errors.	. "Consumer Beware: a guide to installment buying," rev., 1966, AFL-CIO Department of Publication, 815 16th Street, N.W., Washington, D.C. 20006, 22 p., 15¢

Seller's Name _____ Contract # _____

RETAIL INSTALLMENT CONTRACT AND SECURITY AGREEMENT

The undersigned (herein called-purchaser, whether one or more) purchases from _____ (seller) and grants to _____ a security interest in, subject to the terms and conditions hereof, the following described property.

PURCHASER'S NAME _____
PURCHASER'S ADDRESS _____
CITY _____ STATE _____ ZIP _____

QUANTITY	DESCRIPTION	AMOUNT	
	Description of Trade-in:		
	Sales Tax		
	Total		

1.	CASH PRICE	$_____
2.	Less: CASH DOWN PAYMENT $_____	
3.	TRADE-IN $_____	
4.	TOTAL DOWN PAYMENTS $_____	$_____
5.	UNPAID BALANCE OF CASH PRICE	$_____
6.	OTHER CHARGES:	
	_____	$_____
	_____	$_____
7.	AMOUNT FINANCED	$_____
8.	FINANCE CHARGE	$_____
9.	TOTAL OF PAYMENTS	$_____
10.	DEFERRED PAYMENT PRICE (1+6+8)	$_____
11.	ANNUAL PERCENTAGE RATE	_____%

INSURANCE AGREEMENT

The purchase of insurance coverage is voluntary and not required for credit.
(Type of Insurance) _____ insurance coverage is available at a cost of $___ for the term of credit.

I desire insurance coverage.

Signed _____ Date _____

I do not desire insurance coverage.

Signed _____ Date _____

Purchaser hereby agrees to pay to _____ at their offices shown above the "TOTAL OF PAYMENTS" shown above in _____ monthly installments of $_____ (final payment to be $_____) the first installment being payable _____ 19 __, and all subsequent installments on the same day of each consecutive month until paid in full. The finance charge applies from _____ (Date) _____.

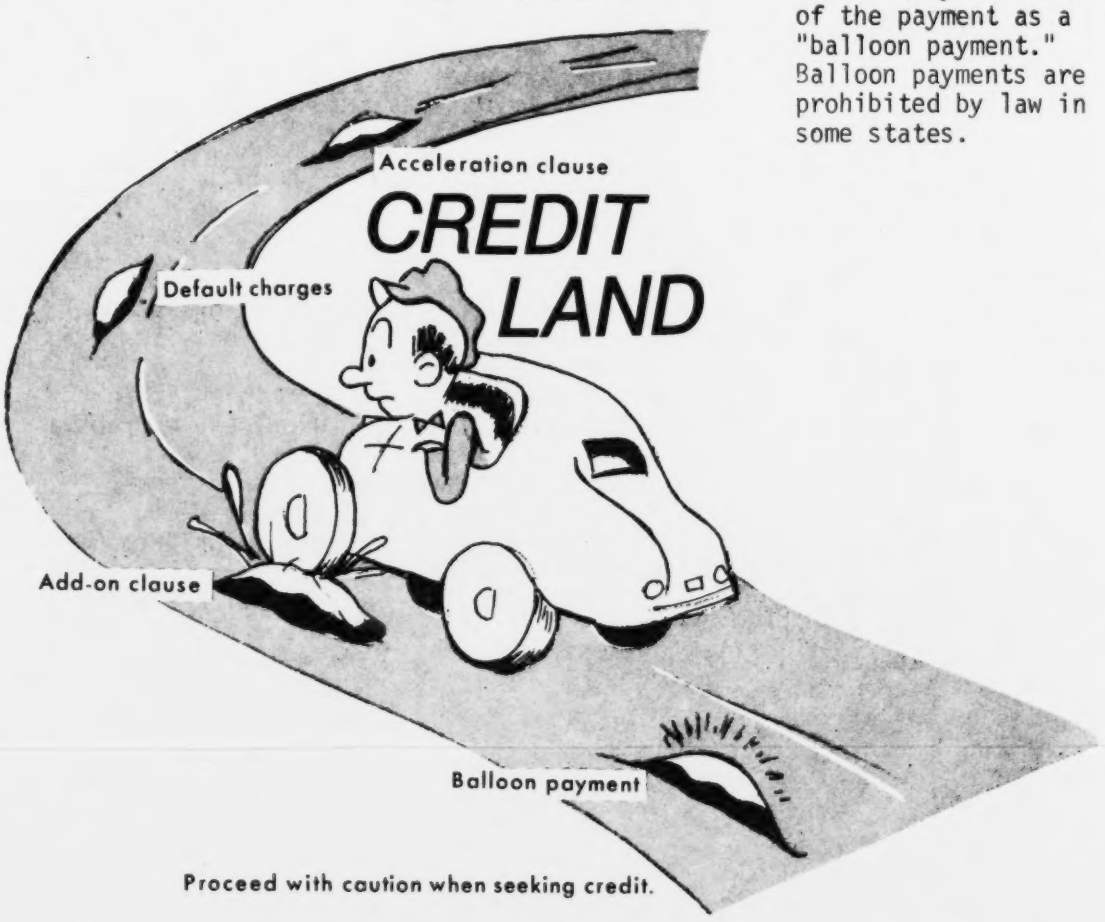
Signed _____

Notice to Buyer: You are entitled to a copy of the contract you sign. You have the right to pay in advance the unpaid balance of this contract and obtain a partial refund of the finance charge based on the "Actuarial Method." (Any other method of computation may be so identified, for example "Rule of 78's," "Sum of the Digits," etc.)

From "Consumer Mathematics Teaching Units," Department of Public Instruction, North Carolina

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
- an itemized list of charges not included as part of the finance charge - number of payments to be made - the amount of each payment - date each payment is due - the charges for late payments or default - a description of any security held by the creditor. . Contracts for the purchase of merchandise on time, in addition to having the above information, must include: - a description of the merchandise - the purchase price for cash - the price including all credit charges - the amount of the down payment due. . The consumer will also want to find out the sellers' responsibilities with regard to service, maintenance, and replacement. . Further suggestions include these: - Never sign a blank contract or a contract with blank spaces. - Initial all changes. - Obtain a copy of the contract.	. Have the class explain each of the following statements found on a credit contract: - Purchaser represents that he has read both sides of this contract and that it was completely filled in at the time of signing. Purchaser acknowledges the receipt of a true executed copy of the contract at the time of execution thereof. - Title to said property shall not pass to purchaser until said amount is fully paid in cash. - In case of any default in the performance of the terms hereof, the seller shall have the right to declare the full unpaid amount immediately due and payable. . Look for an advertisement dealing with the sale of merchandise on the installment plan. From the information given, attempt to find out the cost under the installment plan and the difference between the installment price and the cash price.	. Warmke, Wylie, Wilson, & Eyster, "Consumer Economic Problems," 8th edition, South-Western Publishing Company, New Rochelle, New York, 1971, Chapter 23 . Credit Union National Association, Inc., has available a filmstrip entitled "Guarantees, Warranties and Service." For information on cost, write to Credit Union National Association, Education/ Credit Union Development Department, P.O. Box 431, Madison, Wisconsin 53701. Free single showings may be available through state credit union leagues.

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
. The following terms may also be found in an installment contract: - Balloon payment. This is usually the last payment in an installment contract. The payment is much larger than the other payments. Contracts having balloon payments must identify such a payment as a "balloon payment."	. Why would a creditor include a balloon payment in a sales contract? Which type of consumer is most likely to be hurt by a balloon payment? . Have students write to the State Department of Law to find out what the State law is with regard to balloon payments in installment contracts.	. The balloon payment poses a problem to the consumer when the last payment is due. The possibility is that the consumer will not be able to make the payment and then the seller can repossess the merchandise. The Consumer Protection Act requires all contracts which include this type of payment to identify the amount of the payment as a "balloon payment." Balloon payments are prohibited by law in some states.



UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
- Add-on clause. This allows the consumer to purchase more than one item on a credit contract.	. What is the advantage, to the consumer, of being able to purchase more than one item on a credit contract? . Obtain copies of conditional sales contracts from different retailers. Check these contracts to see if they mention balloon payments, add-on provisions, an acceleration clause, or default charges.	. The add-on clause eliminates the necessity of drawing up an installment contract for each purchase. Under provisions of the Consumer Protection Act, in the case of items purchased on different dates, the first purchased shall be considered first paid for; in the case of items purchased on the same date, the lowest priced shall be considered first paid for.
- Acceleration clause. This allows the creditor to ask for full payment of the debt, immediately, if one or more installments become overdue.	. Point out the disadvantage, to the consumer, of an acceleration clause. Determine student attitudes towards the acceleration clause. Do they feel this practice should be made illegal? Arrange a debate where one student favors the acceleration clause and another opposes the clause.	
- Default charge. This is an extra charge added to an overdue installment payment.	. Have each student visit a retailer who offers installment credit. Have the student find out the retailer's policy with regard to default charges written into his credit contracts. Collate all the information obtained and use it as another reason why it is important to shop for credit. The information could be used as material for a bulletin board. The theme of the board can be "Why You Should Shop For Credit." (This	

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
	theme can be used throughout the term and the bulletin board can be changed with each new topic that lends itself to the theme.)	. The Consumer Protection Act requires a written statement identifying the amount or the method used to calculate charges for late payment or default.
- Prepayment privilege. This requires the creditor to accept payment of a debt in advance of the due date, and also may provide for a refund of credit charges proportionate to the amount prepaid.	. Have students write to the State Department of Law to determine State law, if any, with regard to prepayment of credit contracts and bank loans.	. In some states, the law requires creditors to accept advance payment. The law may also regulate the amount of credit charges to be refunded.
HOW DO YOU FIGURE THE COST OF INSTALLMENT CREDIT?		
. The cost of installment credit is figured as follows: - Multiply the number of installment payments by the amount of each payment. - Add the amount of the down payment. - Subtract the cash price of the item from the total installment cost. - The result is the dollar cost of installment credit.	. An item sells for $150. The consumer is not required to make a down payment but he agrees to pay for the item with 12 payments of $15.50 each. What is the dollar cost of the credit? (Answer: $36) . The cash price for an item is $1,200. If purchased on the installment plan, the purchaser is required to make a down payment of $120 and the balance is to be paid with 23 payments of $50 and a balloon payment of $75. What is the dollar cost of the credit? (Answer: $145)	. The Federal Truth-in-Lending law requires the creditor to indicate the dollar cost of installment credit. Some retailers, however, may not abide by the law, so the consumer should know how to figure the dollar cost of installment credit. Use this example in figuring the dollar cost of credit. Example: A refrigerator is advertised as selling for $275. Purchased on the installment plan, the consumer is required to make a $25 down payment and

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
		to make 12 monthly payments of $25 each. Down payment - $25 12 payments of $25 each (12 x $25) - 300 Total installment cost -$325 Cash price - 275 Dollar cost of installment credit - $50
WHAT ARE THE CONSUMER'S RESPONSIBILITIES WHEN HE SIGNS A CREDIT CONTRACT? - The consumer agrees to pay a set amount each week or month for a set period of time. - The seller holds title to the merchandise until all payments are made. - The consumer gives the seller the right to repossess the merchandise if the buyer fails to make payments. - The consumer accepts responsibility for loss or damage to the purchase before payments are completed. - The buyer agrees to pay the full amount due at the request of the seller, if the buyer fails to make the scheduled payments.	. Define title as referring to ownership. . Use this example to make the point of repossession clear: The consumer agrees to make 12 payments of $40 each for a television set he has purchased. He makes 11 payments but he cannot make the last payment of $40. The seller can repossess the television set.	. "How To Choose and Use Retail Credit," Consumer Information Services, Department 703 - Public Relations, Sears, Roebuck and Co., Chicago, Ill. 60611
HOW USEFUL ARE CREDIT CARDS? . Credit cards are another means of using credit to purchase goods and services.		

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
. The credit card indicates to the retailer that the person's credit will be honored by the issuer, usually up to a predetermined amount.		
. Credit cards are issued by private companies in the credit card business, banks, oil companies and travel and entertainment credit agencies.	. Have students monitor television commercials and newspaper advertisements for the names of the many credit cards in use. Compile a list showing the names of the different cards. Have students check for the names of the firms issuing the credit card.	. Fetterman, Elsie, "Credit Cards - thirty days to reality," Publications Room, University of Conn., Storrs, Connecticut 06268, 20 p., 15¢. Discusses credit cards – types, advantages and disadvantages, points to remember when using them.
. Not all retailers honor the different kinds of credit cards in circulation.	. Have students survey local retailers to determine those cards they honor. (Stores honoring a credit card usually have a sticker in the window that indicates the store honors a specific card.) Which credit card seems to be the most popular in your community?	. See a typical credit card application form on the following page.
. Some credit cards are honored throughout the country and even the world.	. Have students check with credit card companies to determine where the card is honored.	
. Some credit card companies require a membership charge or an annual fee.	Check with companies issuing credit cards to determine if there is a fee for the use of the card. When you have found a company that charges a fee, check to see how many firms in your community honor the card. Compare	

(From "Consumer Mathematics Teaching Units," Department of Public Instruction, North Carolina)

BANK CREDIT CARD APPLICATION

(Do Not Use This Space)
Type 1 3 5 7 2 4 6 8
C. L. 3 5 _____
Area _____
No. 1 2 3 4 _____
Approved By _____
Date _____

1 2 3 4 5 6 7 8 9

Last Name (Please Print) | First Name | Initial | Age

Mr.
Mrs.
Miss

Street Address | Spouse's First Name | Initial | Age

City | State | Zip Code | Tel. No. | Marital Status | Dependents | Social Sec. No.

At Present Address Years ____ Months ____ Own ___ Rent ___ With Parents ___

If at above address less than 3 years, give former home address. Years ____

Presently Employed By | Position | Monthly Income

Years ____ Months ____

Business Address: Street No. | City and State | Business Telephone

Previously Employed By | Position | Previous Business Address | Years ____ Months ____

Spouse Employed By | Position | Monthly Income | Business Tel. | Years ____ Months ____

Automobiles: Make | Year | Model | Financed By, & Address | Balance Due | Driver's License Number

Name of Nearest Relative NOT Living with Me | Address | City | Relationship

Credit References (Bank, Stores, Credit Unions, Finance Companies, etc.) and Complete List of ALL Debts Now Owing.
Attach Additional Sheet if Necessary

NAME	ADDRESS	ACCOUNT NO.	BALANCE DUE

Home Financed By | Estimated Value | Loan Balance | Payment

Bank With:

Checking _____
Bank City Acct. No.

Saving _____
Bank City Acct. No.

READ AGREEMENT

I HAVE READ and agree to all the terms and conditions of the agreement set forth adjacent to this application wherein applicant is called holder. The above information is true and complete.

_____
Applicant's Signature Date

_____
Signature of other authorized card user if you wish 2 cards. Relationship

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
	this with the number of firms honoring the card of a company that does not charge a fee. Is there any advantage to using the card issued by the firm charging a fee for use of the card?	
. Some credit cards issued by banks and private companies provide loan privileges.	. Check with firms issuing the following cards to determine if they offer loan privileges, and, if so, what are the loan limits: - American Express - Diners Club - BankAmericard - Master Charge Card - Shell Oil Credit Card	
. Credit cards issued by banks and oil companies offer credit plans similar to revolving credit. You must pay within a specified period, a minimum payment is usually required, and interest is charged on the unpaid balance.	. Point out that bank credit cards may be accepted by local retailers who have an agreement with the bank to accept such cards. Emphasize, however, that the bank assumes no responsibility for the quality of the merchandise purchased.	. The following is from an article in U.S. News and World Report, September 25, 1972. The article is titled "Bank Credit Cards: Potential Pitfalls:" "'The nations' banks,' says a Federal Reserve Board member, 'must take steps to protect their credit-card users from being defrauded by some unscrupulous merchants.' "George W. Mitchell told a banker group September 12 that 'the most controversial aspect of bank credit cards is the typical agreement between banks and the stores enrolled in their card programs.'
. Private firms issuing credit cards (American Express, Diners Club) usually require payment upon receipt of the bill.	. Credit card companies have the right to charge interest if the bill is not paid when due. In many instances, such charges are waived. If, however, you are not prompt in paying bills, your right to use the card can be revoked.	

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
. If the credit card is lost or stolen, you must immediately notify the issuer to prevent the possibility of someone fraudulently using the card. Notification should be made by telephone and this should be followed with a certified letter with a return receipt requested.	. Ask students to check with credit card companies for the telephone number to be used to report a lost card. Make a list of these numbers and issue to students to take home to their parents. (A number of companies have toll free numbers to call to report a lost or stolen credit card.)	"Mr. Mitchell referring to the 'public responsibility which goes with the management of a device so closely and intimately related to money,' expressed the view that sometimes the public interest 'may be outweighed by profit considerations.' "The Reserve Board member urged bankers to limit 'credit card networks' of stores to merchants 'that are honest and reputable,' to set up systems 'for investigating and responding to consumer complaints' and to hold offending merchants responsible. "Mr. Mitchell also suggested that 'bank card users might be given the right to stop payment' for faulty goods bought with their cards. "Said the Board member: 'The customer's right as a bank card user should be no less than his rights as the drawer of a check.'"
. Failure to report a lost or stolen credit card can result in the consumer being held responsible for charges made on the card, up to a limit prescribed by law.	. Ask students to check with the companies issuing credit cards to determine if any provide insurance against charges made on a lost or stolen credit card.	
. All old cards, or unwanted cards received in the mail, should be destroyed.	. Assign students to visit the person in the local bank responsible for the issuing of the bank credit card. Have the student present the bank officer with a copy of the remarks of Federal Reserve Board member, G. W. Mitchell (duplicate information in the Source Column). Invite the bank official's comments and report them to the entire class.	
. It is illegal, in New York State, for anyone to send you a credit card unless you request it in writing.		

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
WHAT SHOULD THE CONSUMER KNOW ABOUT THE MONTHLY CREDIT STATEMENT?		
. Statements for revolving charge accounts must include - amount owed at the beginning of the billing period - amount, date, and brief description of each purchase or sales slip identifying each purchase - total amount credited to the account for returns, payments, exchanges, etc. - finance charge in dollar amount - the periodic rate used to compute interest and the annual percentage rate of the finance charge - the balance upon which the finance charge is computed - the closing date for the statement and the unpaid balance on the closing date - date by which you must pay the bill. . To check against errors, keep all receipts and sales slips and check them against the bill when it is received.	. Obtain a copy of a monthly statement for a revolving charge account. Using an opaque projector, point out all the information found on the statement. Emphasize that statements from different companies will vary in size and shape but all will contain basically the same information. Have students do the arithmetic to determine whether the statement is correct. Make it clear that statements can be incorrect. . Point out that today most monthly statements are the products of automation. Why do retailers resort to automated machines to prepare their monthly statements? What problems may arise as a result of errors on a statement? What can the consumer do to understand the monthly statement more fully?	. See an actual copy of a monthly statement of a revolving charge account on the following page. . Sears, Roebuck and Company points out that when errors occur or customers question their statements, automation is generally blamed, although it may be partly a "people problem." The company feels that the consumer will have fewer questions and understand statements more fully if he - keeps receipts and sales slips in one place and checks them against the bill each month - reads the information on the back of the statement showing code numbers which identify items purchased on revolving accounts - checks the "billing date" when credits do not show up on the statement. Very often payments and returns made late in the billing period do not show up until the next statement.

Sears REVOLVING CHARGE ACCOUNT

SEARS, ROEBUCK AND CO.

Please mention this number when ordering or writing.

64 81034 54792 3

Please return this portion with your payment. You may pay at any Sears Store, or by mail. If you pay by mail, please allow 5 days to assure receipt by the Billing Date.

Amount Due

INSTAL.PMT. 10.00

OR

NEW BALANCE 190.52

$_____
AMOUNT PAID

6481034547923

PLEASE DIRECT INQUIRIES TO YOUR NEAREST SEARS STORE AND REFER TO THIS STATEMENT WHEN MAKING AN INQUIRY.

DATE Mo.	DATE Day	Reference Number	TRANSACTION DESCRIPTION See reverse side for a more detailed description of the department numbers indicated below.	CHARGES	PAYMENTS AND CREDITS
09	26	6974	PAYMENT		35.79
09	27	3060	HARDWARE 9	25.99	
09	30	3060	VACUUMS, SEWING MACH., POLISHERS 20	161.53	
10	06		ACCIDENT INSURANCE	3.00	

REMEMBER TO VOTE ON NOVEMBER 7

ACCOUNT NUMBER	BILLING DATE	PREVIOUS BALANCE	NEW BALANCE	MINIMUM PAYMENT
64 81034 54792 3	OCT 06 1972	$ 35.79	$ 190.52	$ 10.00

If the *FINANCE CHARGE* exceeds 50¢, the *ANNUAL PERCENTAGE RATE* is 18% on the first $500 of the AVERAGE DAILY BALANCE and 12% on that part of the AVERAGE DAILY BALANCE in excess of $500. The AVERAGE DAILY BALANCE excludes any purchases added during the monthly billing period and any unpaid Finance Charge.

To avoid a Finance Charge next month, pay this amount within 30 days from Billing Date.

If you prefer to pay in installments, pay this amount or more within 30 days from Billing Date. The sooner you pay and the more you pay, the smaller your Finance Charge.

14351-625 (14351-006 N.Y.) Rev. 9/72 NOTICE: See reverse side for important information.

Thank You for Shopping at Sears

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
. Before assuming a mistake has been made, check the billing date since payments and returns made late in the billing period do not show until the next statement. . When making inquiries or reporting errors on statements always - state the account number and type of account - refer to the date of purchase and any other references that will help the store identify the transaction in question.	. Problem for discussion: Mr. Jones received a statement that showed he made six purchases during the month that amounted to $98.60. His previous unpaid balance was $76.40. One of the charges on the statement was incorrect. Mr. Jones complained and received no reply. He complained again; still there was no reply. He is now very angry. He decides he will not pay his bill until the matter is straightened out. Is this course of action wise? Justify your answer. . Most statements contain code numbers or reference numbers to identify purchases. Point these out to the students when you go over a statement. Show students how to interpret code numbers by referring to the statement.	
. If you call to question a statement, be ready to give your account number, type of account, date of purchase, and the price of the item. Also ask for the name of the person taking the call.	. Why should you always make it a point to get names of people you deal with over the telephone? Have students relate personal experiences where it would have been desirable to know to whom they were talking over the telephone.	. Sears, Roebuck and Co., suggests the following to their customers: "For a prompt reply, do not write comments or questions directly on your statement... statements and payments are processed in one department while customer inquiries are handled in another. Notations on statements sent to the billing department are

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
. If you write to question a statement, give the account number, type of account, date of purchase, and price of the item.		sometimes overlooked altogether. Even when caught, the notation must be transferred to a different department and replies are delayed. A separate letter to the credit department is the best way to insure a prompt response."
. Consumers who are billed for an item before the purchase is delivered are not expected to pay for the item at that time.	. Give examples of some circumstances where you might be billed for something before you actually received it. (Ex. The purchase of furniture which might take 3 or 4 weeks for delivery)	
HOW DOES THE CONSUMER APPLY FOR A CREDIT ACCOUNT?		
. The consumer is required to complete a credit application. The information asked for includes: - your name and husband's or wife's name, if married - present address and phone - how long you have lived at your present address - a previous address if you have not lived at the present address for very long - your age and marital status - number of children and other dependents - name and address of employer and wife's or husband's employer, if married - your occupation and social security number	. Set up a role playing situation where a student is applying for credit and he is being interviewed by the credit manager. . Have students obtain an application for credit from a local retailer. Compare the information requested on applications from the various retailers. Compile a list of all the items found on the credit applications. . Ask each student to complete one application they received from a retailer. Submit the application to the retailer. Report on the result of the attempt to get a credit account.	. See typical application for a credit account on following page.

APPLICATION FOR CHARGE ACCOUNT

Mr. ___
Mrs.___
Miss___ First Name (Please Print) Initial Last Name

Residence: Street City State

Business Connection Position

Business Address City State

Please Give Three Stores or Personal References

Name of Bank Address or Branch

___ Regular Checking
___ Special Checking
___ Savings

Others Authorized to Purchase on Account

Please Check the Type of Charge Account Desired Signature

____REGULAR 30 DAY ACCOUNT ____ SPECIAL THREE-PAYMENT ACCOUNT

PLEASE TEAR ON PERFORATION AND ENCLOSE IN ENVELOPE

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
- your income - name and address of your bank and the type of account - personal references - other credit accounts and loans you are paying off.	. Do students feel that all the questions asked on a credit application have a valid purpose? Why might a merchant need all this information? How could he use it if the credit payments were not made on time?	
. Before credit is granted, the retailer will check the information provided on the credit application.	. Discuss the importance of answering all items on the credit application truthfully and accurately. What might happen if false information were given?	
. Many retailers verify information with your employer, bank, and personal reference. Many use the services of a Credit Bureau.	. Why is it desirable to inform your employer that you have made an application for a credit account?	
WHAT IS THE RETAIL CREDIT BUREAU?		
. Credit rating bureaus act as a clearinghouse for people who use credit. . The credit bureau is usually a commercial or industry-supported organization. . The credit bureau maintains files on everyone who uses the credit of firms that employ the services of the bureau.	. Credit agencies report that bankruptcies, repossession of goods, a history of "slow pay," and frequent job shifts ruin more good credit ratings than any other causes. Do these seem reasonable causes for poor credit ratings? What if anything can a consumer do to prevent such loss of good credit rating?	. "Consumer in the Marketplace," Ibid., pp. 111-112 . "Consumer Economic Problems," Ibid., p. 428 . Scott, Kane, Kirk & Buckley, "Everyday Consumer Business," Prentice-Hall, Inc., Englewood Cliffs, New Jersey, 1959, Chapter 33

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
. All credit information on a person is relayed to the bureau and it becomes a part of the person's credit file.	. Discuss the type of information that is most likely to become part of a person's credit file. (i.e. - how quickly bills are paid, how much is owed and to whom, etc.)	. Refer to Public Law 91-508, Title VI, "The Fair Credit Reporting Act," enacted October 26, 1970, effective April 24, 1971.
. A person listed as a good credit risk by the credit bureau will have little or no trouble getting credit. The person labeled a poor credit risk will have much difficulty obtaining credit.		
. Credit bureaus report on information they receive from retailers. They must also include information provided by the consumer to correct any misinformation found in the person's file. . Credit bureaus also add material obtained from news media to a person's credit file.	. What is the disadvantage to the consumer of his credit file containing information supplied by the creditor only?	. Section 611 of the Fair Credit Reporting Act deals with the "Procedure in case of disputed accuracy." It states: "(a) If the completeness or accuracy of any item of information contained in his file is disputed by the consumer, and such dispute is directly conveyed to the consumer reporting agency by the consumer, the consumer reporting agency shall within a reasonable period of time reinvestigate and record the current status of that information unless it has reasonable grounds to believe that the dispute by the consumer is frivolous or irrelevant. If, after such investigation, such information

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
. Credit ratings follow people wherever they go. Credit bureaus throughout the country exchange information.		is found to be inaccurate or can no longer be verified, the consumer reporting agency shall delete such information.... (b) If the reinvestigation does not resolve the dispute, the consumer may file a brief statement setting forth the nature of the dispute. The consumer reporting agency may limit such statements to not more than one hundred words if it provides the consumer with assistance in writing a clear summary of the dispute. (c) Whenever a statement of a dispute is filed, unless there is reasonable grounds to believe that it is frivolous or irrelevant, the consumer reporting agency shall in any subsequent consumer report containing the information in question, clearly note that it is disputed by the consumer and provide either the consumer's statement or a clear and accurate codification or summary thereof."
. Credit bureau abuses led to the passage of the Federal Fair Credit Reporting Act. In addition, many states have laws designed to end abuses by credit bureaus.	. Indicate the types of abuses that led to laws dealing with credit bureau practices. Point out that previous to passage of these laws the consumer could never find out why he was considered a poor credit risk. (The Fair Credit Reporting Act will be discussed in greater detail in the section dealing with consumer laws.)	
. In New York State, any consumer, upon his request, is permitted to correct information obtained by a credit reporting agency, where such information is incorrect.	. To be able to deal with a credit bureau, should it become necessary, you must be able to identify the credit bureau(s) in your community. Ask students to check with local retailers for the names and addresses of local credit bureaus. Prepare a list of these agencies and distribute to the students.	
	. Invite a speaker from a credit bureau to visit the class to discuss how the credit bureau obtains information, the type of information they seek, and how they use the information they gather.	

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
WHY SHOULD THE CONSUMER "SHOP" FOR BORROWED MONEY?		
. The purpose of "shopping" for money is to get the best credit deal. . Not all kinds of loans are alike and different interest rates are charged for different types of loans.	. Point out that comparison shopping is not only to be used when shopping for goods and services; the smart consumer does comparison shopping for a loan.	. "Where To Borrow Money," Changing Times, The Kiplinger Magazine, 1729 H Street, N.W., Washington, D.C. 20006. Reprints are available.
. Not all lenders are willing to make the same kind of loan. . Lenders are usually regulated by law as to the kinds of loans they can make, the amounts they can lend, and the interest they can charge. . Some lenders charge more than others for the same type of loan.	. Discuss this statement from the article, "Where to Borrow Money": "This country is just full of people who would like to lend you money. There's a catch, of course. Not all of them <u>will</u> lend you any. Maybe, in fact, none of them will. But all of <u>them</u> want to." What is the most significant part of the above statement? How can the consumer use this to his advantage?	
WHERE CAN THE CONSUMER BORROW MONEY?		
. Banks are a prime source for borrowing money. Banks offer the following kinds of loans: - <u>Single Payment Loan</u> - the borrower agrees to repay the money borrowed in one single payment within a specified time.	. Mention the other sources of borrowing money (finance company, insurance company, etc. Indicate they will be discussed later.) . Invite the loan officer of a local bank to talk to the class about the types of loans made, the cost of different kinds of loans, and the	. "Accepting Credit Responsibility," Student Problem Book 2, Family Financial Education Program, Illinois National Bank and Trust Company, Chicago, Illinois

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
	basis used to decide whether or not a loan should be granted. Ask the loan officer to explain how low-income people and teen-agers might go about obtaining a loan.	
- <u>The Installment Loan</u> -		
- The borrower agrees to repay the money in equal installments; the finance charge is included in each installment. - An unsecured installment loan is one in which the borrower receives the money on his signature only. - A secured installment loan requires the borrower to give the lender collateral. - A written agreement is required for both secured and unsecured loans.	. The installment loan is generally discounted in advance; that is, the bank takes out the interest before giving you the money. For example, if you borrow $1,000 and the interest is 4.75 percent, you receive $952.50. Why isn't the true interest rate 4.75 percent? . What is collateral? Do students have possessions that might be considered collateral? If so, what are such items? What possessions do their parents have that could be used as collateral?	. "Consumer in the Marketplace," Ibid., pp. 97-104. The unit deals with the firms that lend money to the consumer. . Schoenfeld & Natella, "The Consumer and His Dollars," Oceana Publications, Inc., Dobbs Ferry, New York, 1966, pp. 182-190 . "Consumer Economic Problems," Ibid., Chapter II
- <u>Check Credit Loans</u> -		
- The consumer is given a credit line against which he can write checks for whatever purposes he desires. - Payment for money borrowed is usually made in monthly installments. - The bank usually charges a fee for each check written.	. Point out that the check credit type of bank loan is a form of revolving credit. . Some banks charge as much as 20¢ for each check written. If a	

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
	person writes a check for $16 and the interest charge is 1½ percent per month, how much will the loan cost for a month if there is an additional charge of 20¢ for the check? What is the actual cost of the borrowed money? What is the actual percentage rate of this transaction? (Answers: 44¢; 2.75 percent per month; true annual rate - 33 percent)	
. The bank provides the checks for check credit loans. The checks look the same as checks used in a personal checking account. . People with personal checking accounts can, by making special arrangements with the bank, make overdraft loans. . Payment for overdraft loans is made in a manner similar to revolving credit payment plans. . Banks usually place a limit on the amount to be borrowed through overdraft loans. . The consumer uses his own personal check to make an overdraft loan.	. As indicated, the checks used with this type of credit look the same as any other personal check. Why might this factor be a selling point for this type of credit? . Explain to the class what usually happens when a person overdraws his checking account. Ask the students to explain such terms as "the check bounced" or it is "a rubber check." Develop the idea that such embarrassment can be avoided by having an overdraft arrangement with the bank. . Use the following example to show how the consumer can save money by having an overdraft agreement with his bank. Example: You do not have an overdraft	. In a booklet put out by First National City Bank entitled "Checking Plus Questions and Answers," the following statement is made: "Checking Plus (the name given to overdraft loans) is not intended to compensate for small inaccuracies in bookkeeping or to encourage small overdrafts, but only for intentional borrowing through the convenience of your own checking account against an established credit reserve." Although First National City Bank does not intend its overdraft privileges to be used for inaccuracies or small overdrafts, the Chemical Bank of New York makes it clear in its advertising that it welcomes consumers to use overdraft privileges

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
	agreement. You have $10 in your checking account, but because of a bookkeeping error, you think the amount in your account is $12. You write a check for $11. The check will not clear the bank; it will be returned to the person to whom you issued the check. The bank will notify you that the check did not clear and you will be advised that there is a charge, in this case $2.50, for the handling of the matter. With an overdraft agreement with the bank, the matter would be handled in this manner. The bank would transfer a specified amount to your checking account. (Most overdraft agreements state the bank will transfer money to your checking account in multiples of $100 regardless of the amount of the overdraft.) In this case the overdraft is only $1 but the bank transfers $100 to your account. The interest on the $100, should you pay it off within a month, will amount to a maximum of $1.50 (1½ percent per month set by law). The saving to the consumer in this case is $1.	for borrowing large sums and also to insure against bookkeeping errors. It should be pointed out that an agreement for the bank to honor overdrafts can be a money saver for the consumer when used to compensate for bookkeeping errors. An overdraft on a checking account can cost the consumer as much as $2.50, and possibly more in bank charges. This charge is imposed by the bank for the paper work necessary when an overdraft is made. When you make an overdraft, and you have an overdraft agreement with the bank, the bank will honor your check. If you do not have an overdraft agreement, the bank will return your check even if the overdraft is for an amount as little as $1. Overdraft agreements result in savings when used as a hedge against bookkeeping errors that you might make in your checkbook. When used as a means of buying now and paying later, they are as costly as any other method of credit buying.

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
	. Have students check with the local bank to see if it offers checking account customer's overdraft privileges. Determine the bank officials' attitude towards using overdraft privileges, if offered, as a hedge against making bookkeeping errors in your checkbook. Also find out what the bank charges if a checking account is overdrawn.	
- Passbook Loans - Banks will lend you money when your savings are pledged as security for the loan. - The cost for a passbook loan is low since there is no risk to the lender. - The money in your savings account earns interest while it is being held as security. - Withdrawals can be made from the savings account being held as security as the loan is repaid. The amount withdrawn can equal the amount repaid to reduce the debt. - Passbook loans are discounted so the consumer	. Discuss the question of why a person who has money in a savings account might still wish to borrow money. Point out that a passbook loan insures a low interest charge, that the savings account continues to draw interest while being used as collateral for a loan, and that savings are still intact. As reasons against making such a loan, point out that the consumer is paying interest when he does not have to, that the use of the savings would permit instant gratification of his needs for money, and that the consumer is incurring a credit obligation.	. Refer to bank literature advertising passbook loans. Use this literature to point up the bank's viewpoint that passbook loans are a very desirable way of borrowing money.

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
does not receive the same amount of money that was left as security. - Repayment is made in installments over a specified period of time.	. Ask students to visit a local bank for information on a regular personal installment loan. Using the amount of $1,000 for a period of 2 years determine the annual interest cost and the actual dollar cost for the loan. Do the same for a passbook loan. Determine student' attitudes towards the merits of the passbook loan.	
- Credit card loans - Banks issuing all-purpose credit cards (BankAmericard, Master Charge) will give the holder a cash advance upon presentation of the card at a participating bank. - The bank will set a limit on the amount of the cash advanced on a credit card.	. One New York City bank is instituting a service whereby credit card holders can get an advance of money simply by inserting the card in a machine located outside the bank. How do students feel about banks making it so easy to obtain credit?	
- Education loans - are offered by many banks. - An education loan will be given to a parent, guardian, or family member under 65. - The loan can be used to cover all pertinent educational expenses - tuition, travel, clothing, room and board,	. The education loan is a personal installment loan. Since many students may require a loan to pay college expenses, it would be desirable to discuss this type of loan fully. . Figure the finance charge for each of the following: Amount financed-$6,000 Number of payments - 72	. See application for an education loan and examples of plans covering four year's expenses on following pages. . The figures used for the problems in the activity column are from a brochure put out by the Bowery Savings Bank of New York City.

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
books, fees, and other costs related to the school attended. - Money can be borrowed to cover expenses for a period from 1 to 4 years. - The maximum amount that can be borrowed is $20,000, spread over a period of 4 years. The maximum amount advanced in a single year is $5,000. - The borrower can take up to 7 years to repay the loan. - Where the total family income exceeds $15,000, the borrowed money can only be used to pay college expenses. If used for elementary or secondary school expenses, there is no minimum or maximum requirement of family income. . Application for an education loan need only be made once. Expenses for each year are forwarded automatically at the beginning of the next year.	Monthly payment-$104.59 Amount financed -$12,000 Number of payments - 72 Monthly payment-$209.19 Amount financed -$15,000 Number of payments - 72 Monthly payment-$261.48 (Answers: (1) $1530.48; (2) $3,061.68; (3) $3,826,56) . What is the annual percentage rate for each of the loans above? (Answer 12 percent) . Invite an officer of the local bank to visit your class to discuss education loans available.	They pertain to the plan covering 3 year's expenses. . Contact local banks for information on education loans available to students. . Contact local banks to see if loans are offered under the New York Higher Education Assistance Program.

APPLICATION FOR A BOWERY EDUCATION LOAN

(Please Print And Complete All Information)

Date_____ Loan Number_____

I HEREBY APPLY FOR:

☐ A single advance of $_____ repayable in _____ monthly installments.

☐ Annual Advances of $_____ for _____ years on _____, 19___ and each anniversary thereafter, or a total of $_____ repayable in _____ monthly installments.

Proceeds of this loan will be used to defray costs of attendance at:
☐ College or University (family income must be $15,000 or more) ☐ Elementary or Secondary School

Name of Student	Age	Family Relationship	School Year(s)	Name and Address of School

Full Name_____ ☐ Married ☐ Single ☐ Other_____

Home Address_____ City_____ State_____ Zip Code_____

Years There_____ Tel. No._____ Soc. Sec. No._____ Date of Birth_____

Previous Address_____ Years There_____

Name of Spouse_____ No. Dependents Including Spouse_____

Name and Address of Nearest Relative Not Living With You_____ Relationship_____

EMPLOYMENT OR BUSINESS RECORD

Company_____ No. Years_____

Address_____

Type of Business_____ Tel. No._____

Position_____ Badge No._____ Monthly Salary $_____

Previous Employer_____ No. Years_____

Address_____

Other Income $_____ Source_____

Spouse's Employer_____

Address_____ No. Years_____

Monthly Salary $_____ Badge No._____ Position_____ Tel. No._____

BANK ACCOUNTS—NAME OF BANKS

Checking_____

Branch *Account Number*

Savings_____

Branch *Account Number*

LIST ALL DEBTS AND LOANS DIRECT OR CONTINGENT

Name of Creditor	Date Made	Present Balance	Monthly Payment
		$	$
		$	$
		$	$
		$	$

Do You Own An Auto? ☐ Yes ☐ No Make_____ Year_____

Are There Any Outstanding Legal Proceeding Against You ☐ Yes ☐ No If Yes, attach details.

REAL ESTATE OWNED

Address_____ Title in Name of_____

Mortgage Held By_____ Address_____

Account Number_____ Date Purchased_____ Original Cost $_____

Mortgage Balance $_____ Monthly Payment Inc. Taxes and Ins. $_____

Do You Rent ☐ or Lease ☐ Present Property

If you rent or lease Monthly Rent $_____

Name of Landlord_____ Tel. No._____

IMPORTANT—READ BEFORE SIGNING

I (we) affirm that each of the statements made on this application is true and correct and made for the sole purpose of inducing THE BOWERY SAVINGS BANK to extend credit in the amount requested. I (we) agree that this application may remain your property and that I will notify the Bank of any material change in this statement. You are authorized to obtain any information you may require relating to this application from my employer, if any, and from any other sources.

SIGNATURES

Applicant_____

Applicant_____

(Credit for Group Credit Life Insurance, if any, shall apply to First Signer on the Note)

EXAMPLES OF PLANS COVERING FOUR YEAR S EXPENSES

AMOUNT FINANCED	ANNUAL ADVANCES	84 PAYMENTS			72 PAYMENTS			60 PAYMENTS		
		TOTAL OF PAYMENTS	FINANCE CHARGE	MONTHLY PAYMENTS	TOTAL OF PAYMENTS	FINANCE CHARGE	MONTHLY PAYMENTS	TOTAL OF PAYMENTS	FINANCE CHARGE	MONTHLY PAYMENTS
$ 4,000	$1,000	$ 5,002.20	$1,002.20	$ 59.55	$ 4,749.12	$ 749.12	$ 65.96	$ 4,501.20	$ 501.20	$ 75.02
8,000	2,000	10,005.24	2,005.24	119.11	9,498.24	1,498.24	131.92	9,002.40	1,002.40	150.04
12,000	3,000	15,008.28	3,008.28	178.67	14,247.36	2,247.36	197.88	13,504.20	1,504.20	225.07
16,000	4,000	20,011.32	4,011.32	238.23	18,996.48	2,996.48	263.84	18,005.40	2,005.40	300.09
20,000	5,000	25,014.36	5,014.36	297.79	23,745.60	3,745.60	329.80	22,507.20	2,507.20	375.12
ANNUAL PERCENTAGE RATE		12.00%			12.00%			11.96%		

EXAMPLES OF PLANS COVERING THREE YEAR'S EXPENSES

AMOUNT FINANCED	ANNUAL ADVANCES	72 PAYMENTS			60 PAYMENTS			48 PAYMENTS		
		TOTAL OF PAYMENTS	FINANCE CHARGE	MONTHLY PAYMENTS	TOTAL OF PAYMENTS	FINANCE CHARGE	MONTHLY PAYMENTS	TOTAL OF PAYMENTS	FINANCE CHARGE	MONTHLY PAYMENTS
$ 3,000	$1,000	$ 3,764.88	$ 764.88	$ 52.29	$ 3,568.20	$ 568.20	$ 59.47	$ 3,361.92	$ 361.92	$ 70.04
6,000	2,000	7,530.48	1,530.48	104.59	7,136.40	1,136.40	118.94	6,723.84	723.84	140.08
9,000	3,000	11,296.08	2,296.08	156.89	10,704.60	1,704.60	178.41	10,085.76	1,085.76	210.12
12,000	4,000	15,061.68	3,061.68	209.19	14,273.40	2,273.40	237.89	13,447.68	1,447.68	280.16
15,000	5,000	18,826.56	3,826.56	261.48	17,841.60	2,841.60	297.36	16,809.60	1,809.60	350.20
ANNUAL PERCENTAGE RATE		12.00%			11.96%			11.40%		

EXAMPLES OF PLANS COVERING TWO YEAR'S EXPENSES

AMOUNT FINANCED	ANNUAL ADVANCES	60 PAYMENTS			48 PAYMENTS			36 PAYMENTS		
		TOTAL OF PAYMENTS	FINANCE CHARGE	MONTHLY PAYMENTS	TOTAL OF PAYMENTS	FINANCE CHARGE	MONTHLY PAYMENTS	TOTAL OF PAYMENTS	FINANCE CHARGE	MONTHLY PAYMENTS
$ 2,000	$1,000	$ 2,517.00	$ 517.00	$ 41.95	$ 2,365.44	$ 365.44	$ 49.28	$ 2,256.84	$ 256.84	$ 62.69
4,000	2,000	5,034.00	1,034.00	83.90	4,731.36	731.36	98.57	4,513.68	513.68	125.38
6,000	3,000	7,551.60	1,551.60	125.86	7,097.28	1,097.28	147.86	6,770.52	770.52	188.07
8,000	4,000	10,068.60	2,068.60	167.81	9,463.20	1,463.20	197.15	9,027.36	1,027.36	250.76
10,000	5,000	12,586.20	2,586.20	209.77	11,828.64	1,828.64	246.43	11,284.20	1,284.20	313.45
ANNUAL PERCENTAGE RATE		11.96%			11.40%			12.00%		

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UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
. College expense loans are also available for students where the family income is less than $15,000. Information can be obtained from a local bank.	. Ask students to obtain information from a local bank on loans available under the New York Higher Education Assistance Program. . Also have students write to the Department of Health, Education and Welfare for information about college expense loans for low-income families.	. Margolius, Sidney, "Paying For A College Education," Pamphlet Number FL404, Public Affairs Committee, 381 Park Avenue South, New York, New York 10016, 25¢. The pamphlet tells how early and wise financial planning is essential to meet the rising costs and demands for a higher education. Various methods of saving are evaluated with guidance on scholarships, loans, and earning prospects.
WHAT ARE THE LENDING POLICIES OF BANKS? . Banks look for customers with established credit ratings. . Credit rates may vary according to the type of credit, time period of the loan, customer's credit rating, and the security being offered. . Banks prefer to deal in large loans such as automobile and home improvement loans. . The period of repayment will depend on the type of loan.	. Assign a mature-looking student to visit a local bank to make application for an automobile loan. Have the student report back to the class on the bank official's attitude towards his loan application. . Ask students to try to put themselves in the position of the bank officials. If they were bankers, responsible for depositors' funds, might they be careful to whom they lent money? Might they set up restrictions similar to those the bank sets up? Why do banks prefer large loans for automobile purchase or home improvement?	. "Consumer Education — Instructional Materials," The University of the State of New York, The State Education Department, Bureau of Continuing Education Curriculum Development, Albany, New York 12224. This is available in a Spanish edition. It has a unit on "Shopping for Money."

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
. Banks often require collateral or security before making a loan.	. Why do banks often require collateral? If you were lending money to strangers, would you, too, require collateral?	
. It takes several days to process a loan application.		
HOW MUCH DO BANK LOANS COST?		
. Credit card and check credit plans charge annual percentage rates from 15 percent to 18 percent.	. Read the statement in the Source Column concerning loan interest rates. What are the students' reactions to the proposals of this commission?	. A report by a commission funded by Congress has proposed interest charges on small loans of up to 42 percent a year. The commission's staff has recommended: no ceiling on loans of less than $100; a 42 percent ceiling on loans between $100 and $300; a 21 percent maximum on loans between $301 and $1,000, and a charge of up to 15 percent a year on loans over $1,000. (In New York State there is a ceiling of 12 percent for most consumer loans by banks, up to 24 percent by retailers, and up to 36 percent by finance companies.
. Unsecured loans may cost from 11 percent to 18 percent per year.		
. Secured loan rates range from 6 percent to 12 percent (includes passbook loans).		
. Bank rates are lower than finance company rates because banks take fewer risks, they are using depositors' money, and they deal mostly in large loans which offer a larger dollar income.	. Discuss why the larger loan yields a larger dollar income. (The point to make is the administrative cost is the same regardless of the amount of the loan. Give examples of some of the administrative costs involved in processing a loan application.)	
	. How does a low-income consumer get a bank loan, since it is generally bank policy not to take too great a risk in granting a	

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
	loan? Ask this question of the loan officer of the local bank. Report his answer to the class.	
HOW DO CONSUMER FINANCE COMPANIES OPERATE?		
. Consumer finance companies make personal installment loans to the consumer.	. Check the local telephone directory for the addresses of consumer finance companies. Is there any relationship between where they are located and the type of customer to whom they make loans?	. "Where To Borrow Money," Changing Times, The Kiplinger Magazine, 1729 H Street, N.W., Washington, D.C. 20006, 2 p. A reprint of a magazine article
. They make small and large loans with a maximum amount usually specified by law.	. Invite an officer of a consumer finance company to visit the class to discuss the services provided, the cost of loans, and the type of risks they are willing to take when lending money.	. "Finance Companies — how and where they obtain their funds," available from National Consumer Finance Association. No charge to teachers. This is helpful information for the teacher.
. Finance companies may lend to consumers who are not considered good credit risks.	. Problem: You need $500 for a period of 12 months. What is the actual dollar cost of the loan if it is made by a finance company? by a local bank? (Information can be obtained by visiting the firms or checking newspaper advertisements.)	. Film: "The Littlest Giant," Association Films, Inc., Education Services Division, National Consumer Finance Association, 1000 16th St., N.W. Washington, D.C. 20036. 14 min., color
. The rates vary according to the size of the loan balance.		. Film: "Every Seventh Family," Modern Talking Pictures, Inc., 3 East 54th Street, New York, New York 10022. 26 minutes
. Finance companies process loan applications quickly; in some instances, the loan will be granted on the same day as the loan application is made.		
. Consumer finance loan rates can range up to 36 percent per year.		
. At least half the loans are made on signature alone, without collateral.	. Bring in newspaper advertisements dealing with bank loans and consumer finance company loans and prepare	

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
. Finance companies make loans to all income and occupation groups, including manual workers, and low-income people who might not be able to secure a loan elsewhere.	a bulletin board display of these advertisements.	
. Personal finance companies may, in some instances, require co-makers or co-signers to guarantee a loan.	. Discuss the responsibilities of a person who agrees to co-sign for a loan. . Prepare a skit in which a borrower defaults on a loan and the co-signer is held responsible.	
WHAT ARE CREDIT UNIONS?		
. A credit union is a group of people who pool their savings and lend to each other at low interest rates.	. Check to obtain the names of typical credit unions in your community.	. "What Are Credit Unions, and How Can We Use Them?" Credit Union National Association, Madison, Wisconsin
. Members of a credit union must be associated in some way. They may work together, or belong to the same church or club, labor union, etc.	. Invite a credit union representative to discuss the services of his organization. . Have students check with their families to determine whether or not they belong to credit unions. Have them obtain information on how a person joins, the cost of membership, the types of loans made, the cost of loans, and the amount of dividends paid, if any. Compare these reports to determine if there is	. "Take Another Look," 16mm. color movie, 28 min. Available from Credit Union National Association, Inc., Education/Credit Union Development Department, P.O. Box 431, Madison, Wisconsin 53701 . "A Teacher's Guide to Credit Unions," Credit Union National Association, Inc., P.O. Box 333, Madison, Wisconsin 53701
. Credit unions will make loans only for good reasons. The loan must be of benefit to the borrower.		
. The earnings of a credit union are used to pay dividends to members.		

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
. In some cases, repayment of a loan is made through a payroll deduction.	a difference in policy among credit unions.	
. Credit union rates range from 8 percent to a maximum of 12 percent annually.		
. Credit unions can charge lower rates because - they take fewer risks because borrowers are also share holders. - they lend money deposited by members which is less expensive than borrowed money - they usually have low operating expenses - they limit the amount they will loan and thus limit the risk - in many instances the sponsoring organization provides free office space and supplies for the credit union, and much labor is donated by the members. Credit unions also enjoy a Federal income tax exemption.	. If some or all of the class members are interested, organize a temporary credit union in the class. For example 10¢ or more might be invested by each person. The amount collected could then be loaned to a member needing a short-term loan. When repaid, the money could be lent again to another borrower. The object is to show how a credit union is organized and operated. If this project is undertaken, rules should be drawn up specifying the terms of agreement for members, the purposes for which loans will be made, the duration of the loan, the amount of interest to be charged, and how the amount earned in interest will be distributed to investors.	. "International Credit Union Yearbook-1967," CUNA International, Inc., Headquarters, 1617 Sherman Avenue, P.O. Box 431, Madison, Wisconsin 53701, 64 p. . "It's Not Just Money," John R. Prindle, ed., 1967. Credit Union National Association, Inc., Madison, Wisconsin 53701, 145 p.
. Many credit unions offer financial counseling to their members.		

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
. The credit union is an excellent source of credit for the low-income wage earner. He should check to determine if he is eligible by the nature of his work, his church affiliation, or any other group of which he is a member.	. Poor people are not aware, in many instances, of the existence of credit unions. A worthwhile project would be to prepare a list of all the credit unions in your community. Send this list to local poverty agencies so they can make people they service aware of those credit unions they are eligible to join.	
WHAT TYPES OF LOANS ARE MADE BY LIFE INSURANCE COMPANIES?		
. Life insurance companies will lend on the cash value of a life insurance policy.	. Some students may have a life insurance policy. Ask them to bring their policy to class so the loan provisions can be discussed. An opaque projector could be used to project that part of the policy that deals with loans.	. Obtain specimen policies from various life insurance companies. Information on loans can be found on the policy. . Free materials on life insurance can be obtained from the Institute of Life Insurance, 277 Park Avenue, New York, New York 10017.
. A borrower must have a life insurance policy with the company before he can borrow money for a personal loan. . Repayment on loans can be made with a single payment or by partial payments.	. Point out that while insurance companies will make mortgage loans to non-policy holders, they will make personal loans only to those with life insurance policies.	

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
. If death or maturity of the policy occurs before the loan is paid, the amount outstanding is deducted from the face value of the policy.		
. Interest rates are generally low because the insurance company takes no risks and it need not pay collection costs.	. Invite a life insurance company representative to class to discuss the loan features of insurance policies.	. Life insurance companies will encourage repayment of loans, but cannot demand repayment. If the policy becomes due, the company will deduct the amount of the unpaid loan, plus any interest due, from the amount it agreed to pay the beneficiary.
. The legal limit on life insurance loans is 6 percent interest per year.		
. Repayment can be made at any time. In fact, the loan need never be repaid.		

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
HOW DO PAWN BROKERS OPERATE?		
. Pawn brokers will loan a person money providing he leaves something of value as security, such as a camera, television set, or jewelry.	. Ask students to window-shop a local pawn broker and list all the items shown in the window. What conclusion can be drawn from this survey as to the types of merchandise on which loans are made?	
. The amount of money loaned will be much less than the value of the item left as security.		
. To redeem the item left as security, the borrower must pay back the loan plus the finance charges.	. Have a mature student visit a pawn broker to get loan information on a specific item such as a camera. Have him find out how much he will get for the camera, how much will have to be paid back, and how long he will have to repay the loan in order to redeem his camera.	
. Finance charges are very high in a pawn shop. The rates charged are the highest for all legal lenders.		
. The pawn broker is often the only person who will lend money to the poor and those earning low incomes. Pawn brokers lend money to anyone because they take absolutely no risk. If you don't repay the loan, the item left as security is sold.	. Check the local telephone directory for the location of your community's pawn shops. Where are the pawn shops located in your town? Does their location indicate the type of person with whom they do most of their business?	

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
. Pawn shop loans range from $5 and less to the hundreds of dollars. . The time it takes to get a loan is as long as it takes for you to hand over the item left as security and for the pawn broker to give you your money and claim ticket. No papers need be filled out nor is anything signed by the borrower.	. It should be made clear that pawn brokers are legally licensed to do business. They serve a purpose in that they give you a loan immediately and will make loans to anyone. Their interest charges are very high, however, and this source of money should be avoided if at all possible. It should also be made clear that while the average person thinks of pawn shops as hole-in-the-wall establishments, in some of the larger cities they can be very high class establishments that lend money on jewelry at rates that compete with a bank. These firms usually do business with high-income consumers.	
WHO ARE THE ILLEGAL LENDERS? . Illegal lenders, called loan sharks, are not licensed to lend money. . The people who borrow money from a loan shark are usually so desperate for money that the lender charges whatever rates the traffic will bear.		. Studies of loan shark practices reveal that the lowest interest rate commonly charged is 120 percent per year. The average rate is approximately 20 percent per week, and ranges as high as 1,040 percent per year.

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
. Under the provisions of the Truth-in-Lending law, loan sharks are described as people who charge more than 45 percent annual interest or use threats, violence, or other illegal methods in order to collect what is owed them.	. Invite a local law enforcement officer to visit the class to discuss local problems with loan sharks, where they operate, who they deal with, how much they charge, and what happens to people who are slow in paying or can't pay their debts.	. An article in Consumer Reports (August 1968) stated that "Congress finds, in Title II of the Consumer Credit Protection Act, that organized crime gets a big piece of income from loan sharking. When money-lenders operating within the law won't lend you money, a loan shark probably will. His collection methods, in case you fall behind in the payments, beat anything the law has to offer. Threats of injury or death are followed up, if necessary, by the real thing. The police find it understandable that hardly anybody will testify in court about his treatment at the hands of a loan shark."
. Loan sharks, if apprehended and convicted, could be sent to prison for up to 20 years or fined as much as $10,000.		
. Loan shark customers range from affluent businessmen to the poorest of consumers. All have one thing in common - a pressing need for money.	. What prevents a person who needs money quickly from going to a pawn broker rather than a loan shark?	
	. Make this statement to the class: They, their families, and their friends MUST NEVER BORROW FROM A LOAN SHARK. To back this observation, invite a representative from the police department to visit the class to discuss police cases involving loan sharks.	. Under the Consumer Credit Protection Act, loan sharking is a Federal offense and rules of evidence are established to enable prosecutors to obtain indictments and convictions without testimony from loan shark victims.
WHAT ARE SOME FORMS OF SECURITY THE CONSUMER MIGHT HAVE TO OFFER IN ORDER TO SECURE A LOAN?		
. The chattel mortgage transfers title of personal property to the creditor. If the loan is not paid, the creditor takes the mortgaged property.		

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
An automobile, household property, or personal property can be used for a chattel mortgage.		
. A collateral note requires the debtor to provide the creditor with real or personal property as security for a debt. Some items that can be used are negotiable stocks, bonds, real estate, or life insurance policies. If payment is not made, the creditor can sell the collateral to help pay off the debt.	. Have students prepare a statement of their net worth. Assuming that they can borrow only 50 percent of their net worth, how much could each borrow?	. "It's Your Credit, Manage It Wisely," Ibid., p. 24
. A cosigner or comaker is a person who signs a credit agreement indicating he will be responsible for the debt if the debtor cannot meet his obligations.	. Have two students prepare a skit where one asks the other to be a cosigner for a loan. The point to make in the skit is that it is not a good idea to cosign for anyone's loan.	
. A wage assignment allows the creditor to collect a certain percent of a debtor's wages if the debtor is not able to make payment. The amount that can be collected is limited by law.	. Ask a student who is employed to get his employer's reaction should the employer receive notice of a wage assignment from a creditor for one of his employees. . Make the distinction clear between a wage assignment and a garnishment. A garnishment requires a court order obtained through legal action; a wage assignment does not require legal action.	

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
WHAT IS CREDIT INSURANCE?		
. Credit insurance is insurance that will repay a loan should you die or become disabled.		. "Credit Insurance: How you can get soaked," Changing Times, The Kiplinger Magazine, August 1972
. The cost of credit insurance is added to the cost of your loan.		. "Credit Life Insurance," Consumer Reports, March 1968
. Some creditors insist you take insurance when you apply for a loan; others make it optional.	. When shopping for credit, it is important to determine if the finance charge quoted includes an insurance charge. Most car loans, for example, will include credit life insurance. When quoting finance charges, some creditors will list a rate that does not include the insurance charge. Their rate, therefore, appears to be lower than a competitor's. When the insurance charge is added, the rate may be the same or even more than a competitor's rate. . Have students check newspaper advertisements for car loans. Determine whether the advertised rate includes insurance. If not, attempt to find the additional charge for such insurance.	. According to testimony given before the Senate Antitrust and Monopoly Subcommittee, credit life insurance is costing Americans $276 million a year in excess of fair rates. "Congressional critics and others maintain that most state rates are unreasonably high because of the large commissions and dividends paid to the lending institutions. They point out that the insurance companies as a whole return only about 51 percent of credit life and disability premiums to policyholders in the form of benefits." From Changing Times, The Kiplinger Magazine, August 1972

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
. There are two types of credit insurance - disability and life. . Disability insurance pays the lender the installments on the loan if the borrower becomes disabled. . Disability credit insurance usually has two restrictions: - Payments will not be made if the borrower becomes disabled because of a preexisting condition. - Payments are not made until a set number of days have passed after the borrower has become disabled. This is called a <u>waiting</u> or <u>elimination</u> period.	. From the point of view of the lender, why are both disability and life credit insurance desirable? Are they always, sometimes, or never desirable from the borrower's point of view? . Why do insurance companies usually place a waiting period in disability policies? What might happen if there were no such waiting period?	. Example of restriction on disability credit insurance: If the borrower had a heart condition that occurred within a specified period before the effective date of the policy, he would not be eligible for payments to be made to the creditor.
. Credit life insurance pays the entire balance due on a loan if the borrower dies. . When an installment loan is involved, the amount of insurance decreases as payments are made. . Some policies may contain a "good health declaration." Most policies, however, do not require medical qualifications.	. Have students visit several local lending institutions to obtain the costs of credit life insurance. Have them compare costs from company to company. Also have students determine if the lender makes it mandatory for the borrower to take credit insurance.	. Consumer Reports in an article (March 1968) reports that "Forced sale or high-pressure sale of credit life insurance has long been practiced by banks, loan companies, retailers. Now it is spreading rapidly to revolving charge accounts...."

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
. Borrowers cannot shop for credit insurance in order to get lower rates. They must buy their credit insurance from the firm issuing the credit.	. Point out that many firms requiring the borrower to take credit life insurance own the insurance company that offers the insurance. How do students feel about this practice? What is likely to happen to rates when the borrower must take his credit insurance from a specific company? What advantages accrue to the lender when he also owns the company offering the credit insurance?	
HOW IS THE COST OF BORROWING MONEY FIGURED?		. Under provisions of the Consumer Credit Protection Act, the creditor must state the actual dollar cost of the credit and finance charges in terms of a true annual percentage rate. Nevertheless, it would be desirable for students to be able to figure the dollar cost and the true annual interest rate.
. Figuring dollar cost: - To figure the dollar cost, add all costs and subtract the cash price of the merchandise. The difference is the dollar cost of the credit.	. A color television set sells for $500. A down payment of $100 is required and the balance is to be paid off with 12 monthly payments of $36. What is the dollar cost of the credit? (Answer: $32)	
. Figuring the credit rate as a percentage: 1. Multiply dollar cost of credit by two. 2. Multiply the answer to (1) by the number of payments in a year. 3. Multiply the amount of credit needed (cash price less down payment) by the number of payments plus one. 4. Divide the answer to (2) by the answer to (3) for the true annual interest rate.		. Refer to "Using Credit Wisely," pages 12 and 13, for a readable explanation on figuring the dollar cost of credit and the true annual interest rate. The pamphlet is published by Credit Union National Association, Inc., Box 431, Madison, Wisconsin 53701

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
	. Problem: A person buys a stereo phonograph on the installment plan. The cash price of the stereo outfit is $160. On the installment plan, the purchaser must make a down payment of $20 and agrees to pay the balance with 12 payments of $13 each. What is the dolla. cost of the credit? What is the true annual interest rate? (Answers: Dollar cost - $16 Interest rate - 21.09 percent)	. Example: A stove sells for $120. The consumer makes a down payment of $10 and agrees to pay the balance in 12 monthly installments of $10 each. 1.$10 (dollar cost of credit) x 2 = $20 2.$20 x 12 = 240 3.$110 x 13 = $1430 4.$1430) $240 .1678 . Answer: 17.9 percent is the true annual interest rate. . (The numbers 1 to 4 above correspond to the numbers 1 to 4 in the Understandings Column.)
. True annual interest rate can be determined by using this formula: $r = \frac{2mi}{p(n+1)}$ r = the annual interest rate m - number of payment periods per year i = the dollar cost of the loan p = net amount borrowed n = number of payments	. Explain to the class that the answer is the same regardless of the method used.	
. The true annual credit rate when you are charged a monthly percentage on the unpaid amount owed is figured as follows: - Multiply the monthly rate by 12	. Have students do the problem above using the formula given in the Understandings Column. . What is the true annual interest rate for each of the following: 1½ percent per month (18 percent) 3 percent per month (36 percent) ½ percent per month (6 percent)	. A charge of 2 percent per month equals 24 percent a year (12 x .02)
. The true annual interest rate for discounted loans is slightly less than double the interest charge quoted.		. If the rate of interest quoted is 5 percent, the true annual interest rate would be 9.6 percent (this is slightly less than double 5 percent). The true annual interest where 6 percent is quoted is 11.78 percent.

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
HOW DO LENDING INSTITUTIONS QUOTE CREDIT CHARGES?		
. Simple interest - The interest charge is added to a loan that is paid with a single payment. - The interest rate is stated as a percentage. - The loan and the interest are paid at the same time.	. A person who borrowed $100 paid back $106 at the end of a year. What is the simple interest rate? (6 percent) . What is the rate of simple interest if a person who borrowed $100 paid back $105 at the end of six months? (10 percent)	. Most lending institutions will not offer simple interest loans to consumers. Loans of this type are generally made to businessmen.
. Interest on the unpaid balance - The interest charge is computed and collected each time payment is made. - The finance charge is figured monthly as a percentage of the unpaid balance and is added to the scheduled monthly payment.	. A loan of $120 is to be paid off in 12 months. The rate of interest is 1 percent per month on the unpaid balance. What is the interest charge after the first month? the second month? the third month? (Answers: $1.20; $1.10; $1.00)	. Example: If the outstanding balance is $100 and the interest rate is 1½ percent per month on the unpaid balance, a finance charge of $1.50 will be added to minimum monthly payment. As the balance decreases, the finance charge also decreases. Department stores, commercial banks, credit card agencies, and other sources offering revolving credit use this method of quoting interest.
. Add-on interest - This type of interest charge is used for installment loans. - The interest charge is added to the amount borrowed.		Example: The principal of a loan is $100. The interest charge is 8 percent to be added to the principal. The total amount of the loan is $108. Repayment is made with 12 payments of $9 each.

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
. The installment payments, when computed by the lender, include the interest charges.		. When add-on finance charges are quoted, the true annual interest rate is substantially higher than the interest rate quoted. For example, a $6 interest charge is added to a $100 loan making the total due $106. It would appear the annual interest rate is 6 percent but this is not the case. The borrower is steadily paying off the principal with each installment payment. At the end of 6 months, for example, the borrower still owes about $50 but he is still paying interest on the full $100. He continues paying interest on the full $100 even when he is making the last payment. For a $100 loan where the add-on interest is $6 for 1 year, the true annual interest rate would be 11.08 percent.
. Discounted interest - The lender takes out the interest before giving the borrower the proceeds of a loan. For a loan of $1,000 with interest of 4 percent discounted in advance the borrower would receive $960. - The total of the payments made to pay off the loan would amount to $1,000.	. A bank advertises an automobile loan can be obtained for 5 percent interest per year, per hundred dollars borrowed. What will the proceeds be if the loan is discounted and the amount borrowed is $2,000 for 1 year? (Answer: $1,900)	. True annual interest rates for discounted loans are slightly higher than the true annual rate for add-on interest loans.

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
WHAT IS A CREDIT COLLECTION AGENCY?		
. A credit collection agency is a firm that specializes in collecting debts.		. "Consumer Problems of the Poor," The University of the State of New York, The State Education Department, Bureau of Secondary Curriculum Development, Albany, New York, 1972
. Merchants turn over their bad debts to a collection agency. The collection agency receives a portion of the amount it is able to collect.		
. The poor and the low-income consumer are the favorite targets of credit collection abuses.		
. Harassment is the prime method used to effect collection of debts.	. New York State law provides protection against harassment. Ask the law instructor or an attorney to discuss the conditions that must exist for the law to be invoked.	. Harassment is covered by Section 240.25 of the Penal law; aggravated harassment is covered by Section 240.30.
. Methods used to harass the consumer: - Dunning notices that threaten legal action and damage to the credit rating are sent to the debtor with regular frequency. - Telephone calls threatening legal action are made at all hours of the day and night. - Letters are sent to the debtor's employer telling him the employee is not paying his debts. - Calls are made to the debtor's wife, children, and even neighbors.	. Obtain samples of dunning notices and point out those items designed to frighten people into settling their debts. . Why would a person be concerned about letters sent to his employer?	

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
. Credit collection firms are not interested in reasons why the consumer is not paying his debts. Their only purpose is to try to get the consumer to settle his debt as soon as possible.	. Contact the New York State Bureau of Consumer Fraud and Protection. Find out what is being done to curb abuses practiced by credit collection firms in the State.	. There are laws dealing with certain credit collection practices. Fraudulent, deceptive, or threatening collection practices are forbidden by Federal and State laws. New York City forbids creditors, their lawyers, or collection agencies, to "communicate or threaten to communicate with an alleged debtor's employer" without first obtaining a court judgment against the debtor.
. Businessmen also use the court system as a collection agency. Civil court action can be taken to force payment of a debt.	. Visit the local civil court and talk to a court clerk to learn how to answer a summons.	
. The poor are often unaware of their right to a day in court. In many instances, they are not even aware a suit has been filed against them.	. Role play a situation where a low-income consumer has been served a summons to appear in civil court. Use the confusing legal language used in a summons; assume the unavailability of legal counsel, no knowledge of where the court is located, no transportation to get to the court.	. The Federal Consumer Protection Act makes it a Federal crime for a creditor or his representative to use violence or threats of violence to collect debts.
	. What action might be taken to insure that all consumers have their rights under our legal system protected?	. Courts must rule on the basis of law. In most cases the courts must side with the merchant because a legal contract is involved. The consumer, however, is entitled to his day in court and he should be made aware of his rights. The poor consumer too often suffers because he is confused by the legal language of a summons, he can't afford to take a day off from work to appear in court, he doesn't have the transportation to get to court, or he does not have the services of a lawyer. In
	. Following is an example of an actual letter sent out by a New York City furniture store owner to the employer of one of its customers: "Gentlemen: We regret the necessity of writing to you regarding the above employee's account. We have written to the debtor	

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
	on many occasions but have not been able to resolve the past due amount. We feel that we must now seek garnishment of your employee's salary. Would you be good enough to fill in the information below and return it to us in the enclosed stamped envelope? We realize that garnishment means additional bookkeeping expense to you. We therefore will not proceed in this matter for 10 days which will allow your employee to contact us and arrange immediate payment and resumption of proper payments. Your cooperation in this matter will be appreciated."	addition, he is, in many instances, not even aware that a summons has been issued requesting his appearance in court.
	. Determine student reaction to this letter. How might the employer react to a letter of this type? As an employer, how would the student react to receiving such a letter? As an employee, how would the student react to his employer receiving such a letter? Do you believe the law is correct in requiring a creditor to obtain a court judgment before it is able to send out a dunning letter as described above?	

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
	. Determine student reaction if they were the furniture store owner and had been unsuccessful in obtaining payment for furniture sold. In this instance, would they feel justified in asking for the cooperation of the debtor's employer?	
ARE FINANCE CHARGES DEDUCTIBLE ON THE FEDERAL INCOME TAX?		
. The Internal Revenue Service has ruled that finance charges are not deductible. What can be deducted is the amount of interest included in the finance charge. . Under this ruling, it is difficult for the consumer to figure the interest portion because this information is rarely, if ever, given. . In many instances, the entire finance charge is the interest charge and in this case the entire amount can be deducted. . Tax lawyers suggest that all finance charges be deducted. If a question arises the IRS can then make a ruling.	. Check newspaper advertisements offering credit. All will use the term "finance charges" because they must under the terms of the Truth-in-Lending law. Ask students to contact the firms placing the advertisements to find out how much of the finance charge is for interest. . Have students contact the local IRS office and ask for the ruling on deductions for finance charges. Find out how the consumer can determine what portion of the finance charge is considered interest. Also ask these questions: Is the 1½ percent finance charge in revolving credit considered interest? Is the amount the bank deducts from a discounted loan considered interest? Is the finance charge on a pawn shop	. "Are Credit Charges Deductible?," Consumer Reports, Consumers Union, March 1972, p. 174

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
	loan considered interest? Is interest paid to a loan shark tax deductible?	
. Deducting interest charges reduces the cost of borrowing money.	. A person has interest charges of $50 for the year. If his tax bill amounts to 25 percent of his earnings, how much does he save by deducting the $50 on his income tax? (Answer: $12.50)	
. To deduct interest charges on a tax return, the taxpayer must complete the long form and itemize deductions.	. Obtain a 1040 tax form and, using an opaque projector, show students the section used for listing interest expense. Explain how it should be completed.	. Tax forms can be obtained at the local IRS office. During tax season, forms can be obtained at the Post Office and banks.
WHICH LAWS AID THE CONSUMER IN THE FIELD OF CREDIT?		
. The Federal Truth-in-Lending Law (Consumer Credit Protection Act) aids consumers. . The regulations cover open end credit, loan and sales credit, and real estate credit. . Open end credit covers most credit cards and revolving charge accounts where finance charges are usually made on unpaid amounts. . Under the law, the open end credit customer must be told 1. the conditions under which the finance	. Have students debate the need for government to become involved in setting down rules for businessmen to follow when dealing with the consumer. You might use this question: Is it necessary for government to protect the consumer? Some key questions that might be asked to stir the debate are: Can business be depended upon to regulate itself? Does the consumer really need protection? Will too much government interference	. Write to the Federal Trade Commission, Washington, D.C. 20580, to request a copy of their pamphlet on the Truth-in-Lending law. Ask for Federal Reserve Regulation Z, "What you ought to know about Truth in Lending, Consumer Credit Cost Disclosure."

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
charge may be imposed and the period in which payment can be made without incurring a finance charge 2. the method used to determine the balance on which the finance charge is to be made 3. how the actual finance charge is calculated 4. the periodic rates and the range of balances to which each applies 5. the conditions under which additional charges may be made, along with details on how they are calculated 6. the minimum payment that must be made on each billing 7. descriptions of any lien which may be placed on a customer's property.	move us away from the free enterprise system? . Have students obtain credit agreements from different retailers in the community. Check each agreement to determine if the retailer is complying with the regulations as listed in items 1 through 7. . Try to obtain copies of credit agreements from smaller merchants in urban inner-city areas. Check these agreements for compliance with the Truth-in-Lending law. . Have students bring in copies of credit agreements from home to check for compliance with the law.	. Regulation Z, Section 226.7 -"Open End Credit Accounts--Specific Disclosures"
. Period statements must be sent when there is an unpaid balance over $1 or where a finance charge is made.		
. The monthly statement must give this information: - the unpaid balance at the beginning of the billing period - the amount and date of each credit	. Try to obtain copies of monthly statements from smaller retailers, especially those that were handwritten or typed. Check to see if the retailer provided	. Regulation Z, Section 226.7 (b)

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
transaction, with identification of the item purchased - payments made by a customer and other credits - the finance charge shown in dollars and cents - the rates used in calculating the finance charge plus the range of balances to which they apply - the annual percentage rate - the unpaid balance on which the finance charge was calculated - the closing date of the billing cycle and the unpaid balance at that time.	the information required under the law. . Invite a small local retail merchant to discuss the impact of the Truth-in-Lending law on his credit business.	
. For loans and sales credit, the customer must be told - the total dollar amount of the finance charge (does not apply to a real estate mortgage) - the date on which the finance charge begins, if this is different from the date of the transaction - the annual percentage rate - the number, amounts, and due dates of payments - the total payments (does not apply to a real estate mortgage) - the amount charged for default, delinquency, or method used to calculate that amount		. Regulation Z, Section 226.8 -"Credit Other Than Open End--Specific Disclosures"

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
- description of any security required - description of any penalty charge for prepayment of principal - how the unearned part of the finance charge is calculated in the case of prepayment	. It should be noted that many lenders require payment of a penalty for paying off a loan in advance. Have students check with a bank or finance company to determine any prepayment penalties they may require. . Ask students for their feelings about prepayment penalties. . Invite a loan official to discuss the reasoning behind the imposition of prepayment penalties. Ask for information on how such penalties may be avoided.	. A credit filmstrip on the Truth-in-Lending Act and Regulation Z is available free from any Federal Reserve Bank or their branches or from the Federal Reserve Board in Washington, D.C. A copy can be purchased for $10 from the Publication Services, Division of Administrative Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551. (Checks should be made out to the Board of Governors, Federal Reserve System.)
. Other provisions of the Consumer Credit Protection Act: - imposes restrictions on the garnishment of wages - makes loan sharking illegal - requires credit advertising to provide detailed information on annual interest rates, incidental charges, and the cash price, if credit is not used	. Check credit advertisements to see if the advertiser is complying with the Truth-in-Lending law. Report any violations of the law to the Federal Trade Commission. Follow up to see what action is taken.	

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
. The Fair Credit Reporting Act is an amendment to the Consumer Credit Protection Act. . It is designed to protect the consumer from abuses by credit reporting agencies (credit bureaus). . Under terms of this law, the consumer has the right to request from a credit reporting agency the following: - the nature and substance of all information in its files regarding a customer's credit rating (does not include medical information) - the source of the information (The source of the information need not be disclosed except in a court action.) - the recipients of any consumer report on the consumer which the agency has furnished within a 2-year period preceding a request for employment purposes and for any other purpose within the 6-month period preceding the request.	. What abuses led to the adoption of the Consumer Credit Protection Act? What economic group suffered most from these abuses? . Discuss why medical information is not required to be disclosed to the consumer. . Invite an official from a local credit reporting agency to discuss the effect of the Fair Credit Reporting Act on the workings of a credit bureau. . Determine if any students have friends or relatives that have had dealings with a credit bureau. Invite those persons to discuss what happened, or have the students get the facts and present them to the class.	. Send to the Federal Trade Commission for a copy of the pamphlet describing the law. FTC Buyers' Guide No. 7, Fair Credit Reporting Act. Available from Federal Trade Commission, Washington, D.C. 20580. . The Federal Trade Commission in its FTC Buyer' Guide No. 7 suggests the following things be done when visiting a consumer reporting agency: Did you — - learn the nature and substance of all the information in your file? - find out the names of each of the businesses (or other sources) that supplied information on you to the reporting agency? - learn the names of everyone who received reports on you within the past 6 months, or the last 2 years if the reports were for employment purposes?

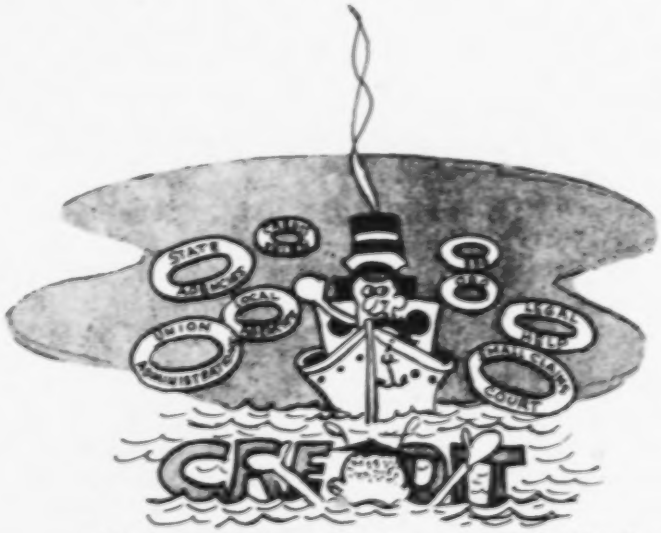
UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
. The consumer reporting agency is required to make disclosures to the consumer during normal business hours and on reasonable notice. . Disclosures to the consumer must be made if he appears in person and supplies proper identification. Disclosure must also be made by telephone if the consumer makes a prior written request and provides proper identification. The consumer pays telephone charges. . Trained personnel must be provided to explain to the consumer any information furnished. . The consumer is permitted to be accompanied by one person of his choosing, who shall furnish reasonable identification. The credit bureau may require the consumer to furnish a written statement granting permission to the bureau to discuss the consumer's file in the presence of the third person. . Credit bureaus may not issue lists giving consumers' credit ratings.	. The teacher might request that the local credit bureau report on disclosures it has made on the teacher during the preceding 6-month period. He could report on his dealings with the credit agency to the consumer education class. . Ask class members to put themselves in the position of credit agency representatives. If you were risking your money, would you want to secure all the information possible about a customer? If some of that information were adverse, would you want to risk alienating the customer by revealing it? A somewhat comparable situation exists in the classroom. Presumably each student knows his fellow classmates reasonably well. To some, he would extend credit; to others, he would not. But would he want to tell those to whom he would not extend credit the reasons why?	- request the agency to reinvestigate and correct or delete information that was found to be inaccurate, incomplete, or obsolete? - follow-up to determine the results of any reinvestigation made? - ask the agency, at no cost to you, to notify those you name who received reports within the past 6 months (2 years if for employment purposes) that certain information was deleted? - follow-up to make sure that those named by you did in fact receive notices from the consumer reporting agency? - demand that your version of the facts be placed in your file if the reinvestigation did not settle the dispute? - request the agency (if you are willing to pay a reasonable fee) to send your statement of the dispute to those you name who received reports containing the disputed information within the past 6 months?

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
. New York State consumer protection laws dealing with credit cover: - Unsolicited credit cards. It is illegal for anyone to send you a credit card unless you request it in writing.	. Many firms, prior to the enactment of this law, sent credit cards to consumers through the mail. What is the danger of sending a credit card through the mail?	. Detailed information on New York State consumer protection laws can be obtained from a local or nearby office of the Department of Law. Below are the various office addresses: - 80 Centre Street, New York 10013 - The Capitol, Albany 12224 - Metcalf Building, Auburn 13021 - Press Building, Binghamton 13902 - 65 Court Street, Buffalo 14202 - 40 Cornelia Street, Plattsburgh 12901 - 2 Catherine Street, Poughkeepsie 12602 - 65 Broad Street, Rochester 14614 - 333 East Washington Street, Syracuse 13202 Consumer complaints can be made to the above addresses.
- Garnishees. The minimum wage on which a salary can be garnisheed for nonpayments of debts is $85 per week.	. The law was enacted, primarily, to protect the low-income consumer. What other laws might be enacted to offer more protection to the low-income consumer?	
- Credit reporting agencies. Any consumer, upon his request, is permitted to correct information obtained by a credit reporting agency, where such information is incorrect.	. Invite a representative of the Department of Law to visit the class to discuss the consumer protection laws and to indicate how complaints should be made and how they are handled.	
- Purchases on installment sales contracts. Consumers can assert their rights against third party finance agencies in the event that goods are defective within the warranty period or turn out to have been the subject of fraudulent or deceptive claims made by the seller.	. It should be made very clear that because of this law the consumer does not have to fight "phantoms" when there is a problem of defective merchandise. Now he is able to make claims directly against the party that purchased the sales contract from the original seller.	

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
	. Check with local officials to determine if any local laws exist to protect the consumer in his credit dealings.	
WHERE CAN THE CONSUMER GO TO SEEK REDRESS FOR HIS CREDIT GRIEVANCES?		
Federal Agencies		
. The Federal Trade Commission will check into complaints made by the consumer. Complaints should be made in writing to a local office.	. Have students check the telephone directory for the local office or the nearest office of the Federal Trade Commission.	. For information and publications write to Federal Trade Commission, Washington, D.C. 20580.
. The FTC will take action against the businessman violator but it will not fight the consumer's case.	. Invite a representative of the FTC to discuss how the agency deals with complaints made by the consumer.	. The function of the FTC is to prevent false and misleading advertising and unfair business practices. After a complaint has been made by a consumer, the FTC deals solely with the firm against whom the complaint was made. The FTC will not attempt to solve a particular consumer's complaint. It will attempt to prevent the offending company from repeating its unfair business practices.
. The Post Office Department will handle any complaints that result from the illegal use of the mails.	. Contact the supervisor of the nearest Post Office and ask him to explain how a person can file a complaint involving the use of the mails.	
. The President's Committee On Consumer Interests works to solve individual consumer problems by direct business contact or referral to the appropriate Federal or State agency.	. Poll the class to see if a student or his family is having a credit dispute with a retailer or a lending institution. Have the class compose a letter describing the problem and forward it to the President's Committee On Consumer Interests. As a project, follow the matter through to a conclusion.	. For information and publications write to The President's Committee on Consumer Interests, Washington, D.C. 20506.

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
. The National Credit Union Administration can assist with any questions or problems dealing with credit unions.		. For information, write to National Credit Union Administration, Washington, D.C. 20456.
. The Office of Economic Opportunity deals with the low-income consumer. In addition to helping him with his complaints, the OEO helps low-income consumers learn how to spend money wisely, learn how to avoid fraud, improve living conditions, and develop home management skills through debt reduction services and family financial planning. It also provides low-income consumers with access to existing low-cost credit and savings institutions, in addition to helping low-income consumers create alternate sources of credit, including co-ops, buying clubs, and credit unions.	. Arrange for a visit by a representative of the local OEO office. Have him discuss how the OEO helps the low-income consumer. Have him discuss how co-ops and buying clubs operate and indicate where they are located in your community. . Have students investigate the possibility of setting up a buying club for phonograph records. Have them visit record retailers or distributors to determine the cost of records purchased in quantity. Have them set up membership requirements and purchasing requirements. Have them check with the local OEO office for suggestions on how to set up a buying club. When all the groundwork is done, ask the question: Is it worth it?	. For information, write to Office of Economic Opportunity, 1200 19th Street, N.W., Washington, D.C. 20506.
State Agencies		
. The Attorney General of New York, through the Bureau of Consumer Frauds and Protection in the New York State Department of Law, will assist the consumer with credit problems that result from fraud and deception.	. A representative of the Consumer Fraud Bureau should be invited to discuss the workings of the bureau and how it helps the consumer.	. For information, write to Attorney General of New York, The Capitol, Albany, New York 12224, and/or Consumer Protection Board, Executive Chamber, Albany, New York 12224.

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
. The Bureau of Consumer Frauds and Protection has collected millions of dollars for hundreds of thousands of consumer victims of fraudulent business practices.	. Submit the same problem sent to the President's Committee on Consumer Interests to the Bureau of Consumer Frauds and Protection. Make a comparison of the services provided by each.	
Local Agencies		
. In Nassau County, the Office of Consumer Affairs, 160 Old Country Road, Mineola, New York 11501, will assist the consumer.		. For information write to Director, Consumer Affairs, City Hall, Long Beach, Long Island, New York 11561.
. Long Beach, Long Island, New York has a consumer affairs office.		. For information write to or visit Commissioner, City of New York Department of Consumer Affairs, 80 Lafayette Street, New York, New York 10013.
. New York City has a Department of Consumer Affairs. Regulations of this department state: the annual percentage rate and finance charge must be stated in the sale or loan of goods and services; it is illegal for a creditor, trying to collect a debt, to communicate with the debtor's employer without first obtaining a court judgement; collection letters must not contain threats of any action which the creditor has no legal right to take.	. A survey should be made in your city, town, or village to determine what services are provided by government to the consumers in your community.	



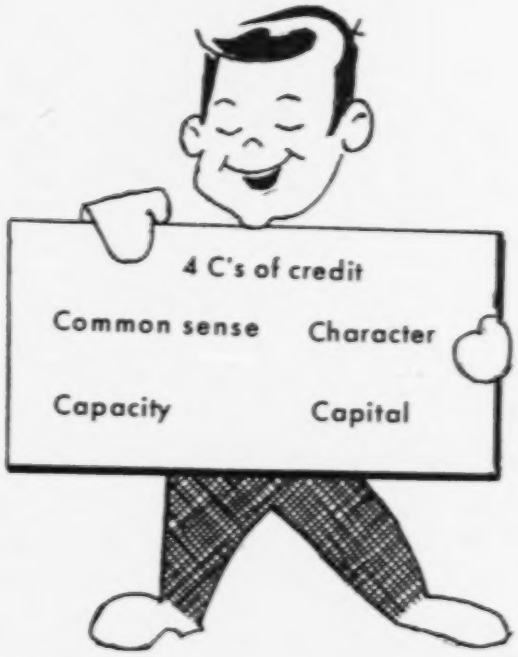
The consumer with a credit grievance has help at hand.

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
Legal Sources of Assistance		
. Private attorneys can be hired to provide legal assistance. The cost of such service can be high, however.	. Invite a representative of the local bar association to visit the class to discuss how lawyers arrive at the fees they charge and what lawyer's fees might be for different kinds of cases.	. Local bar association
. Small Claims Court can be used to handle certain types of problems.	. Small Claims Courts operate differently in different cities. Have students find out how the local Small Claims Court operates and report to the class. . Arrange for a class visit to a Small Claims Court to view its operation. . Prepare a flyer on the Small Claims Court and distribute it to the student body of the school. Include all information that will enable a consumer to use the services of the Small Claims Court, should it become necessary.	. A Small Claims court handles disputes involving small sums of money. The court handles matters quickly and the cost is very small. Usually the only charge is the cost of taking out a summons. A lawyer is not required to represent a person who uses the services of the Small Claims court. The only people involved are the judge, who makes the final decision, the plaintiff, and the person against whom the complaint has been made. In many communities the Small Claims court holds evening sessions. This is done to encourage its use by consumers who would not want to lose a day's wages going to court for a case involving a small sum of money.
. Legal Aid Societies are available in many cities to assist people who cannot afford the services of a lawyer. Legal aid societies will help the consumer with problems concerning contracts, consumer credit, and debts.	. Invite a Legal Aid lawyer to visit the class to discuss how the consumer can use the services of the Legal Aid Society. . Provide students with the address of the local or nearest Legal Aid Society.	

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
. Neighborhood legal aid storefront assistance centers are available in many low-income areas.	. Have students check with the local OEO office for the names and addresses of neighborhood legal aid storefront centers in your community. . Assign students to visit a storefront center offering legal services. Have them prepare a report on the services provided. The information could be inserted into a newsletter and distributed to the student body.	. For information on how to sue in Small Claims court in New York City, write to the Department of Consumer Affairs, 80 Lafayette Street, New York, New York 10013, for their booklet "How To Sue In Small Claims Court in New York City and How to Collect a Judgment." (Available in a Spanish edition.)
. The business community may also be used to assist the consumer with the credit problems.		
. The Better Business Bureau acts on consumer complaints by dealing with the businessman against whom the complaint is made. . The Better Business Bureau has no legal standing and can only offer advice or make suggestions. Its objective is to persuade the business community to practice self-regulation, to control misrepresentation and misleading advertising, and to eliminate business abuses.	. Point out that the Better Business Bureau is a non-profit organization, set up and paid for by local businessmen to protect business by building an image of public confidence. . Discuss the matter of self-regulation as envisioned by the Better Business Bureau. Set up a debate dealing with self-regulation as opposed to more governmental control.	. For information on Better Business Bureaus, write to the Council of Better Business Bureaus, 1145 19th Street, N.W. Washington, D.C. 20036. . In New York City, write to the New York Better Business Bureau, 220 Church Street, 10013. . Another source of information is the Better Business Bureau of Metropolitan Boston, 52 Chauncey Street, Boston, Mass.

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
. Complaints to the BBB must be made in writing. The BBB will try to get a satisfactory agreement between the consumer and the firm.	. Invite a speaker from the local Better Business Bureau to discuss how the consumer can use the services of the bureau.	. Check the larger cities in your area to determine if a local Better Business Bureau exists.
. Community sources of assistance may include local consumer organizations, community action programs, and newspaper action and complaint columnists.	. Survey the organizations, programs, and action and complaint columnists (some of whom may be on radio or television) and prepare a fact sheet showing the name of the group, address, services offered, and how you avail yourself of these services. Put the information into a newsletter and distribute to the student body. (Specific information is not given for the above because the types of community groups in action will differ from city to city or even from neighborhood to neighborhood. The teacher, with the aid of the students, should seek out this information as it can be very useful, particularly to the low-income consumer.)	. Sources of information as to the location of community groups may be the local Office of Economic Opportunity, antipoverty agency, welfare office, bar association, or religious and fraternal organizations.
HOW DOES THE CONSUMER BUILD AND MAINTAIN A GOOD CREDIT RATING?		
. Credit is based on the lender's faith in the borrower's ability to repay.		

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
. Demonstrating what is known as the three C's of credit is essential to building and maintaining a credit rating.		
. The three C's of credit are - character - shows a sincere attitude towards the paying of bills. It is the basis for having a "good name." - capacity - the ability to repay debts with the money you are presently earning. - capital - what you own that is worth more than the debt you are undertaking.	. Discuss what is meant by having a "good name." What might lead a person to be tabbed as having a "bad name" as far as his credit rating goes? . Evaluate yourself as far as the "C's" go. If you were a credit manager, would you extend credit to a person such as yourself?	



These elements constitute the basis for credit.

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
. A fourth C can be labeled "common sense." Common sense refers to a person's ability to use credit wisely.		
. To build a credit rating, you must use credit. The person who always pays cash might find it difficult to obtain credit.	. Discuss why a person who has never used credit might have trouble obtaining it. How does this situation affect the teenager? the poor?	
. One method of establishing a credit rating is to open a charge account as soon as you become eligible. Follow up by paying all bills promptly and fulfilling all other terms of the credit agreement.	. Have the class list everything that can be done to insure your being labeled a good credit risk. (making small purchases so you will be in a position to pay promptly, paying bills on time, etc.)	
. When borrowing money, pay the loan as required or, if possible, pay the loan in advance as this improves your credit rating with the lender.	. Indicate that paying on time or in advance will get you labeled as a "prompt payer." This designation opens additional sources of credit.	
. To protect his credit rating, the consumer must - pay all his bills as they become due - fulfill all his contractual obligations - be truthful and forthright at all times in financial dealings. If payments cannot be met, because of unforeseen problems, he should contact the creditor and discuss the problem with him.	. Why is it desirable to discuss payment problems with the creditor instead of not making the due payment?	

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
- arrange for payments to become due when he will have the money to make the payment.	. Read to the class the statement in the Understandings Column regarding due date of payment. It seems very obvious and is likely to be lightly dismissed. Ask the students for their interpretation of what the statement means. (The point to be made here is that payments, especially for loans, will become due on the same day each month. The due date is frequently the same date the loan is granted. A person who gets a loan, for example, on the 15th of the month will find payments due on the 15th. If this person gets paid once a month, he might have difficulty making a payment in the middle of the month. He might be dubbed a slow payer. This can be avoided by requesting the lender to make the due date consistent with a time when the borrower will be able to make payments as they become due. The request can be made at a time convenient for you. Lenders and retailers will grant reasonable requests.	

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
. The greatest advantage of a good credit rating is that it enables a person to get credit from various sources at the lowest possible rate of interest.	. Assign students to interview credit managers for their views on how to build and maintain a credit rating. Collate the information, put it into a newsletter, and distribute the letter to the student body and the community.	
. The major causes of poor credit ratings, according to credit bureaus, are - personal bankruptcies	. Invite the law instructor or an attorney or credit manager to discuss personal bankruptcies. (The talk should include how you go about filing bankruptcy papers, your obligations when in bankruptcy, and the effect of bankruptcy.)	. For extreme cases of financial difficulty, the consumer can seek relief under the terms of the Federal Bankruptcy Act. Bankruptcy involves filing a petition in court to declare the debtor cannot pay his debts. Once adjudged bankrupt, all his assets and possessions are sold, except those exempted by the law. An alternative to bankruptcy is resorting to Chapter XIII, the Wage Earner plan, of the Federal Bankruptcy Act. The plan operates in two ways. The credit user is granted extra time to pay his debts but he is expected to pay them in full; or the credit user makes an arrangement that permits him to liquidate debts by paying only a percentage of the amount owed.
- repossession of goods by a creditor - a history of "slow payments" - frequent job shifts	. Discuss why frequent job shifts would affect your chances of getting credit.	

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
HOW MUCH CREDIT IS TOO MUCH CREDIT?		
. The warning signals of too much debt are these: - Repayment periods on installment debts are being continually lengthened. - Down payments on installment purchases get smaller and smaller. - The interest charge load keeps mounting. - Amounts owed on revolving charge accounts are increasing. - New bills are coming in before old bills are paid. - Delinquent notices are being sent by creditors. - More and more of the net income is being used to pay off debts. - Loans are made to consolidate debts while new purchases are made using credit.	. In cases where the parents are willing to cooperate, have students determine the debt position of their family by determining 1. liquid assets— liquid assets include money in savings accounts, government savings bonds, and the balance in the checking account 2. how long the family is committed to its present installment debt. To figure this, add the outstanding installment debts and divide by the sum of installment debt payments being made each month. The result is the number of months it will take to clear up outstanding debts. 3. how much of the monthly income is committed to installment debt payments. To figure this, divide the total monthly installment debt payment, estimated in 2, above, by your monthly income after taxes. . The debt position of a family is very vulnerable 1. if it has $200 or less of liquid assets	. The following is from a newspaper column, "Your Money's Worth," written by Sylvia Porter: "Although our economy has been in a strong upswing for more than a year, personal bankruptcies remain perilously high, and these totals don't even suggest the enormous numbers of families who are in deep trouble but do not actually go through a bankruptcy. "At latest count, you were borrowing $114 billion in installment loans alone, of which more than $41 billion represented your automobile loans - and you were carrying another $323 billion in mortgage debts. "In the 18-24 age bracket — and there are an overwhelming 25 million Americans in that age category now — more than one in four debtors is reported to be overextended. Out of every five of you carrying installment debts, two of you are having difficulty paying off, and at least one out of five of you is badly behind in your payments." . Bymers, Gwen J., "A Financial Checkup On The Use of Credit," New York

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
	2. if it is committed to repayment at a current rate for more than 1 year 3. if its debt payment takes 20 percent or more of income after taxes. Any two of the above are considered "vulnerable"; any one of the above is considered "slightly vulnerable."	State College of Home Economics, Cornell University, Ithaca, New York
WHAT IS THE UNIFORM CONSUMER CREDIT CODE?		
. The Uniform Consumer Credit Code is a comprehensive statute governing the rights of the parties and of the state in consumer credit transactions, including all types of consumer loans and credit sales.		. The Uniform Consumer Credit Code was prepared by the National Conference of Commissioners on Uniform State Laws. To become law in a state, it must be passed in the state legislature.
. The code attempts to replace a patchwork of fragmented and overlapping laws, differing in different states. The purpose is to have one law that is uniform from state to state.	. Why is it desirable to have one credit law that is uniform in all 50 states?	. Write to the Consumers' Advisory Council, Department of Consumer Affairs, 80 Lafayette Street, New York, New York, for a copy of their pamphlet, "Report on The Uniform Consumer Credit Code." (The report discusses in detail the proposed Uniform Consumer Credit Code.)
. The code as presently stated covers: - assignment of contracts - creditors attorneys' fees - the consumer's defenses against an assignee	. Obtain a copy of the Uniform Consumer Credit Code. With the help of an attorney, go over each section of the code and compare the section against existing law. Determine the weaknesses and strengths of the code.	

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
- the consumer's remedies for violations of the code - consumers' class actions - garnishment - balloon payments - rights to cancel home solicitation sales - receipt of notice by buyers	. Have students write to their State senator or assemblyman to determine the status of the Uniform Consumer Credit Code in the New York State Legislature.	

A CREDIT VOCABULARY

Acceleration Clause - a provision that allows the creditor to request payment of all installments at once if one or more payments are missed

Add-on Clause - a provision that allows the consumer to add additional purchases to an existing installment contract

Add-on Charge - the finance charge is added to the amount borrowed for the term of the contract

Annual Percentage Rate - the ratio of the finance charge to the average amount of credit in use during the life of the contract

Balance - the amount still owed on an account

Bankruptcy - a legal proceeding that frees the consumer from debts he is unable to pay

Chattel Mortgage - an instrument that transfers title of personal property to another as security for a loan

Closing Date - the day of the month on which credit accounts and monthly bills are figured

Collateral - property put up to "secure" a loan

Contract - an agreement between two or more persons or parties to do or not to do something: an agreement that is legally enforceable.

Cosigner - a person who agrees to pay a debt if the borrower does not

Credit Rate - the percentage that the credit charge bears to the overall principal amount

Credit Rating - an appraisal of an individual's credit worthiness; his ability and willingness to pay his credit obligations

Credit Risk - the chance of loss through noncollection of debts

Creditor - the person, store, firm, bank, credit union, or other organization that lends money or sells goods and services to be paid for over a period of time

Default - failure to pay a debt when due. Also the failure to meet the terms of a contract

Down Payment - a cash payment made on a credit purchase before the credit balance is figured

Face-of-note - the total amount of a debt which the borrower agrees to repay

Finance Charge - the dollar amount of charges for credit (formerly called carrying charge or service charge)

Installment - one of a series of payments to pay off a debt

Instrument - a legal document, contract, note, or any other type of written agreement

Interest - the amount paid to use borrowed money

Maturity Date - the date on which the final payment is due

Note - a written promise to pay a certain sum of money at a certain time

Open-end Credit - An agreement whereby credit is not restricted to a specific period of time, and the consumer pays finance charges on any outstanding balance

Outstanding - amounts of money still owed

Principal - the amount of money borrowed or financed

Proceeds - the actual amount of money the consumer receives when borrowing

Refinance - the rescheduling of payments on an installment contract

Repossession - the taking back of goods by the seller when the consumer is not able to meet his obligations

Secured Note - a note which provides that, upon default, certain pledged property may be applied in payment of the debt

Title - proof of ownership

Unsecured Note - A loan made on the signature of the borrower without further security

Wage Assignment - a credit agreement that allows the creditor to collect a certain portion of the borrower's salary from his employer if the borrower defaults

Wage Garnishment - a court order requiring that a certain portion of the credit user's wages be paid by the employer directly to the creditor

SUMMARY

This module has presented an overall view of consumer credit. The prime purpose was to give the teenager an understanding of the workings of credit.

In our credit-oriented society, we would be remiss if we did not prepare students to cope with situations they will come in contact with for the rest of their lives. Thus this module has touched upon an understanding of what credit is, how it can be used and abused, what problems it creates for the poor, the consumer's responsibility in assuming credit obligations, sources of credit, agencies to help the debtor, and how to build a good credit rating.

There is one universal question at the core of every discussion on credit: "Should a person use credit or pay cash?" The module did not attempt to answer this question nor make judgments on the use of credit. The purpose was to present facts and hope that the teenager of today, the credit user of tomorrow, will make sound judgments based on knowledge and understanding.

It is essential to remember that individuals, young and old, rich and poor, differ. It may be perfectly right for one person to use credit and wrong for another in a specific situation and under given circumstances. The decision, therefore, must rest with the individual; he will have to make a judgment based solely on conditions that exist for him and himself only.

We can only hope that he considers all that he has learned in this module before arriving at a decision. If this is done, the module will have served its purpose.